

SERFF Tracking Number: ARKS-125838180 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #105055 \$250
Company Tracking Number: CF-2008-RLA1
TOI: 01.0 Property Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)
Product Name: n/a
Project Name/Number: /

Filing at a Glance

Company: 00006 - INSURANCE SERVICES OFFICE, INC.

Product Name: n/a	SERFF Tr Num: ARKS-125838180	State: Arkansas
TOI: 01.0 Property	SERFF Status: Closed	State Tr Num: #105055 \$250
Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)	Co Tr Num: CF-2008-RLA1	State Status: Fees verified and received
Filing Type: Rate	Co Status:	Reviewer(s): Betty Montesi, Llyweyia Rawlins
	Author:	Disposition Date: 10/01/2008
	Date Submitted: 09/30/2008	Disposition Status: Filed
Effective Date Requested (New): 11/01/2008		Effective Date (New): 11/01/2008
Effective Date Requested (Renewal): 11/01/2008		Effective Date (Renewal): 11/01/2008

State Filing Description:

General Information

Project Name:	Status of Filing in Domicile:
Project Number:	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 10/01/2008	
State Status Changed: 10/01/2008	Deemer Date:
Corresponding Filing Tracking Number:	
Filing Description:	

Company and Contact

Filing Contact Information

NA NA, NA@NA.com

SERFF Tracking Number: ARKS-125838180 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #105055 \$250
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TOI: 01.0 Property Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)
Product Name: n/a
Project Name/Number: /

NA (123) 555-4567 [Phone]

NA, AR 00000

Filing Company Information

00006 - INSURANCE SERVICES OFFICE, CoCode: 6 State of Domicile: Arkansas
INC.
No Address Group Code: Company Type:
City, AR 99999 Group Name: State ID Number:
(999) 999-9999 ext. [Phone] FEIN Number: 99-9999999

<i>SERFF Tracking Number:</i>	<i>ARKS-125838180</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>00006 - INSURANCE SERVICES OFFICE, INC.</i>	<i>State Tracking Number:</i>	<i>#105055 \$250</i>
<i>Company Tracking Number:</i>	<i>CF-2008-RLA1</i>		
<i>TOI:</i>	<i>01.0 Property</i>	<i>Sub-TOI:</i>	<i>01.0001 Commercial Property (Fire and Allied Lines)</i>
<i>Product Name:</i>	<i>n/a</i>		
<i>Project Name/Number:</i>	<i>/</i>		

Filing Fees

Fee Required?	No
Retaliatory?	No
Fee Explanation:	
Per Company:	No

SERFF Tracking Number: ARKS-125838180 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #105055 \$250
Company Tracking Number: CF-2008-RLA1
TOI: 01.0 Property Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)
Product Name: n/a
Project Name/Number: /

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Llyweyia Rawlins	10/01/2008	10/01/2008

SERFF Tracking Number: *ARKS-125838180* *State:* *Arkansas*
Filing Company: *00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number:* *#105055 \$250*
Company Tracking Number: *CF-2008-RLA1*
TOI: *01.0 Property* *Sub-TOI:* *01.0001 Commercial Property (Fire and Allied Lines)*
Product Name: *n/a*
Project Name/Number: */*

Disposition

Disposition Date: 10/01/2008
Effective Date (New): 11/01/2008
Effective Date (Renewal): 11/01/2008
Status: Filed
Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125838180 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #105055 \$250
Company Tracking Number: CF-2008-RLA1
TOI: 01.0 Property Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)
Product Name: n/a
Project Name/Number: /

Item Type	Item Name	Item Status	Public Access
Supporting Document	ARKS-125838180		Yes

<i>SERFF Tracking Number:</i>	<i>ARKS-125838180</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>00006 - INSURANCE SERVICES OFFICE, INC.</i>	<i>State Tracking Number:</i>	<i>#105055 \$250</i>
<i>Company Tracking Number:</i>	<i>CF-2008-RLA1</i>		
<i>TOI:</i>	<i>01.0 Property</i>	<i>Sub-TOI:</i>	<i>01.0001 Commercial Property (Fire and Allied Lines)</i>
<i>Product Name:</i>	<i>n/a</i>		
<i>Project Name/Number:</i>	<i>/</i>		

Rate Information

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125838180 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #105055 \$250
Company Tracking Number: CF-2008-RLA1
TOI: 01.0 Property Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)
Product Name: n/a
Project Name/Number: /

Supporting Document Schedules

Review Status:

Satisfied -Name: ARKS-125838180

10/01/2008

Comments:

Attachments:

ARKS-125838180.pdf
ARKS-125838180-1.pdf
ARKS-125838180-2.pdf
ARKS-125838180-3.pdf
ARKS-125838180-4.pdf
ARKS-125838180-5.pdf
ARKS-125838180-6.pdf
ARKS-125838180-7.pdf
ARKS-125838180-8.pdf
ARKS-125838180-9.pdf
ARKS-125838180-10.pdf

ARKS-125838180

105055
250.00

LR



2828 E. TRINITY MILLS ROAD SUITE 150 CARROLLTON, TX 75006
TEL: (214) 390-1825 FAX: (214) 390-1975

September 25, 2008

Honorable Julie Benafield Bowman
Commissioner of Insurance
Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201-1904

Attention: William R. Lacy, Director
Property and Casualty Division

RE: Insurance Services Office, Inc.
CF 2008-RLA1
Commercial Fire and Allied Lines
Revision of Basic Group I, Basic Group II and Special
Causes of Loss Loss Cost Levels
REFERENCE FILING
State of Arkansas

Dear Mr. Lacy:

We hereby file the enclosed advisory reference document.

ISO does not establish an effective date for Commercial Property loss cost revisions in Arkansas. Each insurer that elects to utilize this revision is responsible for determining its own effective date and complying with any applicable regulatory requirements. We will distribute this material to our participating insurers and update our electronic deliveries under cover of a Notice bearing a date of November 2008, or the earliest possible subsequent date following your acknowledgement.

Companion rule filing CF 2008-RTERU is also submitted today under separate cover.

Please return an acknowledged copy of this cover letter for our records. An addressed, stamped envelope is enclosed for your convenience. We have also included an additional copy of this letter and envelope; we request that you return it now with a "received" stamp to confirm that you have received the filing.

Very truly yours,

Donald J. Beckel, CPCU, ARM
Assistant Regional Manager
Government Relations

DJB:dlb
Encl.

~~Approved until withdrawn
or revoked~~

OCT 01 2008


Arkansas Insurance Department
By: *LK-acknowledge*
Filed

RECEIVED

1 SEP 30 2008

PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only <div style="text-align: center;"> Approved until withdrawn or revoked OCT 01 2008 Arkansas Insurance Department By: <i>TH acknowledge filed</i> </div>		2. Insurance Department Use only a. Date the filing is received: b. Analyst: c. Disposition: d. Date of disposition of the filing: e. Effective date of filing: <div style="display: flex; justify-content: space-between;"> <div>New Business</div> <div></div> </div> <div style="display: flex; justify-content: space-between;"> <div>Renewal Business</div> <div></div> </div> f. State Filing #: g. SERFF Filing #: h. Subject Codes				
3. Group Name File & Use			Group NAIC #			
4. Company Name(s) Insurance Services Office, Inc.		Domicile DE	NAIC #	FEIN # 13-3131412	State #	
				<div style="border: 2px solid black; padding: 5px; display: inline-block;"> RECEIVED SEP 30 2008 </div>		
5. Company Tracking Number		CF-2008-RLA1				
PROPERTY AND CASUALTY DIVISION ARKANSAS INSURANCE DEPARTMENT						
Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]						
6. Name and address	Title	Telephone #s	FAX #	e-mail		
Donald J. Beckel Insurance Services Office, Inc. 2828 E. Trinity Mills Rd., Ste. 150 Carrollton, TX 75006	Asst. Regional Manager	(214) 390-1825 Ext. 224	(214) 390-1975	DBECKEL@iso.com		
7. Signature of authorized filer						
8. Please print name of authorized filer		Donald J. Beckel				
Filing information (see General Instructions for descriptions of these fields)						
9. Type of Insurance (TOI)		01.0 Property				
10. Sub-Type of Insurance (Sub-TOI)		01.0001 Commercial Property (Fire and Allied Lines)				
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]						
12. Company Program Title (Marketing title)						
13. Filing Type		<input checked="" type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)				
14. Effective Date(s) Requested		New: 11/1/2008		Renewal: 11/1/2008		
15. Reference Filing?		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
16. Reference Organization (if applicable)		Not Applicable				
17. Reference Organization # & Title		Not Applicable				
18. Company's Date of Filing		9/25/08				
19. Status of filing in domicile		<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved				

1941

1941

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Property & Casualty Transmittal Document---

20.	This filing transmittal is part of Company Tracking #	CF-2008-RLA1
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21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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Commercial Fire and Allied Lines Prospective Loss Cost Level Revision

22.	Filing Fees (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]
------------	---

Check #: 105055
Amount: \$250.00

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

***Refer to each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	CF-2008-RLA1
2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	

☐ Rate Increase

☒ Rate Decrease

☐ Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	FILE + USE
4a.	Rate Change by Company (As Proposed)	

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
Insurance Services Office, Inc.		-4.8%	N/A	N/A	N/A	+2.0% SCL	-11.7% SCL

4b.	Rate Change by Company (As Accepted) For State Use Only
-----	---

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

5. Overall Rate Information (Complete for Multiple Company Filings only)			
		COMPANY USE	STATE USE
5a.	Overall percentage rate indication (when applicable)	N/A	
5b.	Overall percentage rate impact for this filing	N/A	
5c.	Effect of Rate Filing – Written premium change for this program	N/A	
5d.	Effect of Rate Filing – Number of policyholders affected	N/A	

6.	Overall percentage of last rate revision	-4.4%
7.	Effective Date of last rate revision	10/01/2007
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	File and Use

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	Rule 85 (CF-LC-11-21)	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02	Rule 70.E.2.d (CF-LC-1)	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03	Rule 72.E.2 (CF-LC-2)	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

ARKANSAS

COMMERCIAL FIRE AND ALLIED LINES INSURANCE PROSPECTIVE LOSS COST LEVEL REVISION EXECUTIVE SUMMARY

PURPOSE

This document:

- revises advisory prospective loss costs for both class-rated and specifically-rated properties. These loss costs represent a -4.8% statewide change from the current ISO loss costs. This loss cost change reflects the removal of the domestic terrorism loading from the Basic Group I loss costs.
- provides the analyses used to derive the prospective loss costs based on experience through calendar/accident year ending 03/31/2007 evaluated as of 06/30/2007.
- removes the domestic terrorism loading from the Basic Group I loss costs. This adjustment is due to revisions in the Federal Terrorism Risk Insurance Program.

DEFINITION OF THE ISO PROSPECTIVE LOSS COST

Advisory prospective loss costs in this document are that portion of a rate that does not include provisions for expenses (other than loss adjustment expenses) or profit, and are based on historical aggregate losses and loss adjustment expenses adjusted and projected through trending to a future point in time.

LOSS COST LEVEL CHANGES

The statewide monoline prospective loss cost level changes are:

Coverage	Filed
Basic Group I	-4.1%
Basic Group II	-4.4%
Special Causes of Loss	-8.9%
Total	-4.8%

Filed loss cost level changes are changes from the current loss cost level and reflect the removal of the 0.91% domestic terrorism loading from the Basic Group I loss costs.

PRIOR ISO
REVISIONS

The latest revisions in the state of Arkansas are:

<u>Reference Document or Filing</u>	CF-2007-RLA1	CF-2005-RLA1
<u>Rates/ Loss Costs</u>	Loss Costs	Loss Costs
<u>Dates</u>		
Filed	04/10/2007	03/31/2005
Implemented	10/01/2007	09/01/2005
<u>Changes</u>		
Basic Group I	-5.5%	-16.0%
Basic Group II	+0.1%	+8.3%
Special Causes of Loss	-10.6%	-3.7%
Total	-4.4%	-7.2%

HISTORICAL
SOURCE DATA

The data used in this revision is:

- . Voluntary experience for ISO reporting companies.
- . Five calendar/accident years ending 03/31/2007 for Basic Group I and Special Causes of Loss.
- . Ten calendar/accident years ending 03/31/2007 for Basic Group II.

DISTRIBUTION
OF STATEWIDE
MONOLINE
LOSS COST
CHANGES

ISO has distributed the statewide monoline prospective loss cost changes as follows:

- . by rating group, territory (where applicable) and rating ID (i.e. class-rated vs. specifically-rated) for Basic Group I.
- . by category (building coverage and occupancy type) for Special Causes of Loss.

This has been done based on the experience of each rating group, territory (where applicable) and rating ID, or category for Basic Group I and Special Causes of Loss. Therefore, the resulting changes will vary by rating group, territory (where applicable) and rating ID for Basic Group I and by category for Special Causes of Loss.

TREND AND
OTHER
ADJUSTMENTS

Loss Trend

For trend purposes, the period of use for this revision is assumed to begin on 10/01/2008. To adjust the loss experience to the levels expected to prevail while the revised loss costs are in effect, trend factors have been applied to the historical incurred losses. These trend factors are based on both:

- external cost indices published by the U.S. Government and Marshall & Swift /Boeckh.
- changes in multistate average claim costs through fourth quarter 2006.

The "historic" trend factors based on the external indices, i.e. the factors based on historic changes in the indices, vary by year. The latest annual rates of change based on these indices are:

<u>Coverage</u>	<u>Annual Rate of Change</u>
Buildings	5.3%
Contents	2.2%
Time Element	0.9%

Incurred losses are also multiplied by loss trend adjustment factors (LTA's) to reflect trends in claim frequency and claim costs that are different from those exhibited by the external indices. The annual loss trend adjustments are:

<u>Line of Business</u>	<u>Buildings</u>	<u>Contents</u>	<u>Time Element</u>
Basic Group I	-3.7%	-1.5%	3.4%
Basic Group II	-0.4%	1.1%	3.5%
Special Causes of Loss	-1.2%	-2.0%	3.4%

This produces a total annual loss trend of:

<u>Line of Business</u>	<u>Buildings</u>	<u>Contents</u>	<u>Time Element</u>
Basic Group I	1.4%	0.7%	4.3%
Basic Group II	4.9%	3.3%	4.4%
Special Causes of Loss	4.0%	0.2%	4.3%

Premium Trend

Over time, insureds tend to purchase increased amounts of insurance in order to compensate for inflation, which results in increased premium revenue.

TREND AND
OTHER
ADJUSTMENTS
(cont'd)

In order to reflect this increase in revenue, ISO uses a premium trend procedure. The premium trend factors are based on observed changes in the annual amount of insurance written for BG I renewal policies for a group of selected companies. The selected annual trends in the amount of insurance are:

Buildings	4.0%
Contents	2.2%
Time Element	1.4%

Other Adjustments

Standard actuarial procedures have been used in calculating the loss costs including loss development and the reflection of all loss adjustment expense. In addition, smoothing procedures have been applied to stabilize the effects of large or excess losses.

TEN LARGEST
COMPANY
GROUPS IN
ISO DATA BASE

COMMERCIAL MULTIPERIL - NON-LIABILITY (ASLOB 51)

1. Traveler's Indemnity Company
2. Cincinnati Insurance Company
3. W. R. Berkley Corporation
4. Nationwide Mutual Insurance Company
5. Hartford Accident & Indemnity Company
6. Philadelphia Indemnity Insurance Company
7. Continental Casualty Company (CNA)
8. Harleysville Mutual Insurance Company
9. Liberty Mutual Insurance Company
10. Great American Insurance Company

Insurers are listed in descending order based on the percent of statewide written premium volume from Annual Statement Page 15 for year ending 12/31/2006 for Annual Statement Line of Business (ASLOB) 51, Commercial Multiperil - Non-liability.

Although ASLOB 51 includes coverages in addition to commercial fire and allied lines, e.g., crime, inland marine, fidelity, the largest percentage of premium volume is due to fire and allied lines (Basic Group I, Basic Group II, and Special Causes of Loss coverages). ASLOB 51 does not include data reported under monoline fire and allied lines (ASLOBs 10 and 21), which includes both commercial and personal property experience.

SIZE OF ISO
DATA BASE

The market share of all insurers reporting to ISO in this state and included in the ratemaking experience underlying this review as measured by Annual Statement Page 15 written premium for year ending 12/31/2006 is:

Commercial Multi-peril - Non-liability (ASLOB 51) - 39.7%

COMPANY
DECISION

We encourage each insurer to decide independently whether the judgments made and the procedures or data used by ISO in developing the loss costs contained herein are appropriate for its use. We have included within this document the information upon which ISO relied in order to enable companies to make such independent judgments.

The data underlying the enclosed material comes from companies reporting to Insurance Services Office, Inc. Therefore, the ISO experience permits the establishment of a much broader statistical ratemaking base than could be employed by using any individual company's data. A broader data base enhances the validity of ratemaking analysis derived therefrom. At the same time, however, an individual company may benefit from comparison of its own experience to the aggregate ISO experience, and may reach valid conclusions with respect to the manner in which its own costs can be expected to differ from ISO's projections based on the aggregate data.

Some calculations included in this document involve areas of ISO staff judgment. Each company should carefully review and evaluate its own experience in order to determine whether the ISO selected loss costs are appropriate for its use.

This material has been developed exclusively by the staff of Insurance Services Office, Inc.

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ARKANSAS
COMMERCIAL PROPERTY INSURANCE

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ARKANSAS
COMMERCIAL PROPERTY INSURANCE

SECTION A - SCOPE OF REVISION

Summary of Monoline Prospective Loss Cost Changes (Table 1)	A2
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ARKANSAS

TABLE 1 - SUMMARY OF MONOLINE PROSPECTIVE LOSS COST CHANGES (A)

COVERAGE	INDICATIONS (B)	AGGREGATE LOSS COSTS AT CURRENT LEVEL
BASIC GROUP I	-4.1%	19,130,153
BASIC GROUP II	-4.4%	12,205,523
SPECIAL CAUSES OF LOSS	-8.9%	4,234,338
ALL COVERAGES COMBINED	-4.8%	35,570,014

(A) FOR TREND PURPOSES, THE PERIOD OF USE FOR THIS REVISION IS ASSUMED TO BEGIN ON 10/1/2008.

(B) INDICATED AND SELECTED CHANGES REFLECT THE IMPACT OF REMOVING THE DOMESTIC TERRORISM LOSS COST PROVISION FROM THE BASIC GROUP I LOSS COSTS.

ARKANSAS

TABLE 2 - FILED BASIC GROUP I PROSPECTIVE LOSS COST CHANGES
BY RATING GROUP, TERRITORY AND RATING ID (A)

SPECIFICALLY RATED INDICATIONS

RATING GROUP DESCRIPTION (B)	ENTIRE STATE
	INDICATED
01 APARTMENTS	-5.9%
02 OTHER HABITATIONAL	-4.2%
03 RESTAURANTS & BARS	-1.6%
04 OTHER MERCANTILE RISKS	-5.6%
05 PUBLIC BUILDINGS	-3.5%
06 CHURCHES	-6.7%
07 SCHOOLS	-4.7%
08 OFFICES AND BANKS	-5.2%
09 RECREATIONAL FACILITIES	-5.0%
10 HOTELS & MOTELS	-1.1%
11 HOSPITALS & NURSING HOMES	-3.5%
12 BLDGS UNDER CONSTRUCTION	-4.5%
13 MOTOR VEHICLE RISKS	-4.9%
14 OTHER NON-MANUFACTURING	-4.5%
15 STORAGE	-3.4%
17 FOOD MANUFACTURING	-3.5%
18 WOOD MANUFACTURING	-4.4%
19 WEARING APPAREL	-4.4%
20 CHEMICAL MANUFACTURING	-3.9%
21 METAL MANUFACTURING	-2.3%
22 OTHER MANUFACTURING	-3.9%
TOTAL	-4.2%

(A) FOR EACH RATING GROUP, THE LOSS COST CHANGE FOR EACH CSP CLASS IN THE RATING GROUP, BY COVERAGE AND CONSTRUCTION, IS IDENTICAL TO THE OVERALL CHANGE SHOWN FOR THE RATING GROUP.

(B) INDICATED CHANGES REFLECT THE REMOVAL OF THE 0.91% DOMESTIC TERRORISM LOADING INCLUDED IN THE BASIC GROUP I LOSS COSTS.

ARKANSAS

TABLE 2 - FILED BASIC GROUP I PROSPECTIVE LOSS COST CHANGES
BY RATING GROUP, TERRITORY AND RATING ID (A)

CLASS RATED INDICATIONS

RATING GROUP DESCRIPTION (B)	ENTIRE STATE
	INDICATED
01 APARTMENTS	-4.7%
02 OTHER HABITATIONAL	-3.0%
03 RESTAURANTS & BARS	-0.3%
04 OTHER MERCANTILE RISKS	-4.3%
05 PUBLIC BUILDINGS	-2.2%
06 CHURCHES	-5.5%
07 SCHOOLS	-3.4%
08 OFFICES AND BANKS	-3.9%
09 RECREATIONAL FACILITIES	-3.7%
10 HOTELS & MOTELS	+0.2%
11 HOSPITALS & NURSING HOMES	-2.2%
12 BLDGS UNDER CONSTRUCTION	-3.3%
13 MOTOR VEHICLE RISKS	-3.6%
14 OTHER NON-MANUFACTURING	-3.3%
15 STORAGE	-2.1%
17 FOOD MANUFACTURING	-2.2%
19 WEARING APPAREL	-3.2%
22 OTHER MANUFACTURING	-2.7%
TOTAL	-4.0%

(A) FOR EACH RATING GROUP, THE LOSS COST CHANGE FOR EACH CSP CLASS IN THE RATING GROUP, BY COVERAGE AND CONSTRUCTION, IS IDENTICAL TO THE OVERALL CHANGE SHOWN FOR THE RATING GROUP.

(B) INDICATED CHANGES REFLECT THE REMOVAL OF THE 0.91% DOMESTIC TERRORISM LOADING INCLUDED IN THE BASIC GROUP I LOSS COSTS.

ARKANSAS

TABLE 3 - FILED SPECIAL CAUSES OF LOSS PROSPECTIVE LOSS COST CHANGES BY CATEGORY

CATEGORY DESCRIPTION	ENTIRE STATE
01 BUILDINGS	-11.7%
02 APARTMENT CONTENTS	-8.8%
03 OFFICE CONTENTS	-2.6%
04 MERC/MOTEL-HOTEL/INST CNTS	+2.0%
05 SERV/INDUST-PROC/CONTR CNTS	-1.2%
STATEWIDE TOTAL	-8.9%

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TABLE 4

POTENTIAL IMPACT OF BG I, BG II, AND SCL MONOLINE APPROVALS
ON COMMERCIAL PACKAGE POLICY REVIEW

(1)	(2)	(3)	(4)
TYPE OF POLICY	BASIC GROUP I	BASIC GROUP II	SPECIAL CAUSES OF LOSS
31	MOTEL/HOTEL	-0.5%	-4.4%
32	APARTMENT	-3.9%	-4.4%
33	OFFICE	-4.3%	-4.4%
34	MERCANTILE	-4.0%	-4.4%
35	INSTITUTIONAL	-5.1%	-4.4%
36	SERVICES	-3.9%	-4.4%
37	INDUST/PROCESSING	-3.2%	-4.4%
38	CONTRACTORS	-4.2%	-4.4%
			-9.1%
			-11.3%
			-9.4%
			-8.2%
			-9.8%
			-8.8%
			-8.3%
			-6.3%

BASIC GROUP I, BASIC GROUP II, AND SPECIAL CAUSES OF LOSS MONOLINE OFFSETS ARE DISPLAYED. THEY ARE CALCULATED BY TAKING A WEIGHTED AVERAGE OF THE LOSS COST CHANGES BY TERRITORY (WHERE APPLICABLE), RATING GROUP AND RATING ID (FOR BG I), OR BY CATEGORY (FOR SCL) USING LATEST YEAR MULTILINE TOP AGGREGATE LOSS COSTS AS WEIGHTS. BASIC GROUP II MONOLINE OFFSETS DO NOT VARY BY TOP BECAUSE THE SAME MONOLINE LOSS COST CHANGE IS APPLIED STATEWIDE.

MONOLINE OFFSETS REFLECT THE EXCLUSION OF THE DOMESTIC TERRORISM LOADING INCLUDED IN THE BASIC GROUP I LOSS COSTS.

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COMMERCIAL PROPERTY INSURANCE

SECTION B - CALCULATION OF PROPOSED CHANGES

Overview of Actuarial Procedures - Commercial Property.....	B2
Calculation of Statewide Prospective Loss Cost Level Changes (Tables 5, 6, and 7).....	B3-12
Distribution of Prospective Loss Cost Level Changes (Tables 8 - 12).....	B13-34

OVERVIEW OF ISO ACTUARIAL PROCEDURES - COMMERCIAL PROPERTY

INTRODUCTION

Commercial Property prospective loss costs are determined by evaluating the adequacy of the current ISO loss costs to pay for our best estimate of losses and all loss adjustment expenses that will be incurred in the prospective (or future) period. This evaluation is done separately for Basic Group I, Basic Group II, and Special Causes of Loss.

STEP 1: DETERMINATION OF INDICATED STATEWIDE LOSS COST LEVEL CHANGE

The first step in this process is the determination of the indicated statewide loss cost level change. This indicated statewide loss cost level change is the average percentage change which must be made to the current ISO loss costs in order to achieve adequacy for the prospective conditions. The percentage changes are presented on the exhibits labeled "Statewide Coverage Loss Cost Level Evaluation".

STEP 2: DISTRIBUTION OF LOSS COST CHANGES

Based on the experience, ISO then distributes the indicated statewide loss cost level change by territory (where applicable), type of policy, rating group, and rating identification (i.e., class vs. specific) for Basic Group I; by type of policy for Basic Group II; and by type of policy and category for Special Causes of Loss.

STEP 3: CALCULATION OF REVISED LOSS COSTS

The last step is the calculation of the prospective ISO loss costs. This is achieved by applying the indicated monoline changes to the current ISO loss costs. For Basic Group I, for those states without BG I rating territories, the statewide loss cost changes by rating group are applied to the current manual loss costs. For those states with rating territories, the Balance of State loss cost changes by rating group are applied to the current manual loss costs. The revised territory multipliers are calculated by multiplying the current territory multipliers by the indicated territory changes. For specifically-rated properties, the appropriate changes are applied to the current experience level adjustment factors and territory multipliers. For Basic Group II, revised loss costs are calculated by applying the indicated statewide monoline change to the current ISO loss costs, and where applicable, adding the hurricane modeled loss costs. For Special Causes of Loss, revised loss costs are calculated by applying the indicated monoline changes by category to the current ISO loss costs.

COMMERCIAL PROPERTY INSURANCE
CALCULATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGES IN TABLES 5, 6 AND 7

OBJECTIVE

The objective of this procedure is to determine the indicated statewide advisory loss cost level change. This procedure answers the question: What average percentage change must be made to the current ISO loss costs in order for them to be adequate to cover indemnity losses and all loss adjustment expenses incurred in the prospective period in which the revised loss costs are assumed to be in effect?

DESCRIPTION

This procedure compares the trended and developed incurred losses and loss adjustment expenses with the trended aggregate loss costs at current ISO level. The aggregate loss costs at current level are the amounts that would have been collected for losses and all loss adjustment expenses if the current ISO loss costs had been in effect during the experience period.

Experience ratios (losses and all loss adjustment expenses divided by aggregate loss costs, both trended to the prospective experience period) are calculated by year, and a weighted average of the yearly experience ratios is calculated. For Basic Group I (BG I) and Special Causes of Loss (SCL), the five year weights vary by year, giving greater weight to the more recent experience. For Basic Group II (BG II), because of the more volatile nature of the data, the ten individual years are given equal weight.

The average experience ratio is then credibility-weighted with the expected experience ratio in order to minimize the impact of random variation in the observed losses. The resulting credibility-weighted experience ratio is the indicated statewide advisory loss cost level change in decimal form.

EXPERIENCE
BASE

The experience used in this review is the latest available data reported under the ISO Commercial Statistical Plan for BG I, BG II and SCL. The data are aggregated on an accident year basis.

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TABLE 5

STATEWIDE BASIC GROUP I
COVERAGE LOSS COST LEVEL EVALUATION

(1)	(2)	(3)	(4)	(5)
YEAR	AGGREGATE* LOSS COSTS	ADJUSTED** INCURRED LOSSES	EXPERIENCE RATIO (3) / (2)	WEIGHTS
2003	16,173,138	13,326,296	0.824	0.10
2004	16,687,085	12,536,649	0.751	0.15
2005	17,220,788	8,399,626	0.488	0.20
2006	18,153,728	10,553,289	0.581	0.25
2007	19,130,153	10,970,485	0.573	0.30

(6) WEIGHTED EXPERIENCE RATIO	= 0.610
(7) CREDIBILITY	= 0.250
(8) EXPECTED EXPERIENCE RATIO	= 0.983
(9) CREDIBILITY WEIGHTED EXPERIENCE RATIO (0.250 X 0.610) + (0.750 X 0.983)	= 0.890
(10) INDICATED COVERAGE LOSS COST CHANGE	= 0.890
(11) DOMESTIC TERRORISM LOADING	= 1.0091
(12) TOTAL COVERAGE CHANGE EXCLUDING DOMESTIC TERRORISM (0.890 / 1.0091)	= 0.882
	OR -11.8%

* AGGREGATE LOSS COSTS ARE ADJUSTED TO CURRENT ISO LOSS COST LEVEL
AND 4/1/2009 AMOUNT OF INSURANCE LEVELS.

** INCURRED LOSSES ARE ADJUSTED TO 10/1/2009 COST LEVELS INCLUDING LOSS
DEVELOPMENT AND ALL LOSS ADJUSTMENT EXPENSES.

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TABLE 6

STATEWIDE BASIC GROUP II
COVERAGE LOSS COST LEVEL EVALUATION

(1)	(2)	(3)	(4)
YEAR	AGGREGATE* LOSS COSTS	ADJUSTED** INCURRED LOSSES	EXPERIENCE RATIO (3) / (2)
1998	10,525,360	4,204,601	0.399
1999	10,084,496	13,561,838	1.345
2000	9,115,340	11,064,735	1.214
2001	8,924,908	10,736,549	1.203
2002	8,604,752	7,879,575	0.916
2003	9,699,258	3,557,600	0.367
2004	10,348,886	10,248,374	0.990
2005	10,965,717	3,876,862	0.354
2006	11,579,470	8,806,155	0.760
2007	12,205,523	15,330,587	1.256

(5) WEIGHTED EXPERIENCE RATIO (EQUAL WEIGHTS) = 0.881

(6) CREDIBILITY = 0.334

(7) EXPECTED EXPERIENCE RATIO = 1.011

(8) CREDIBILITY WEIGHTED EXPERIENCE RATIO = 0.968
(0.334 x 0.881) + (0.666 x 1.011)

(9) INDICATED COVERAGE LOSS COST CHANGE = 0.968

OR -3.2%

* AGGREGATE LOSS COSTS ARE ADJUSTED TO CURRENT ISO LOSS COST LEVEL
AND 4/1/2009 AMOUNT OF INSURANCE LEVELS.

** INCURRED LOSSES ARE ADJUSTED TO 10/1/2009 COST LEVELS INCLUDING LOSS
DEVELOPMENT AND ALL LOSS ADJUSTMENT EXPENSES.

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TABLE 7

STATEWIDE SPECIAL CAUSES OF LOSS
COVERAGE LOSS COST LEVEL EVALUATION

(1)	(2)	(3)	(4)	(5)
YEAR	AGGREGATE* LOSS COSTS	ADJUSTED** INCURRED LOSSES	EXPERIENCE RATIO (3) / (2)	WEIGHTS
2003	3,666,596	3,256,593	0.888	0.10
2004	3,869,829	2,760,436	0.713	0.15
2005	3,950,299	2,632,563	0.666	0.20
2006	4,170,785	2,832,504	0.679	0.25
2007	4,234,338	3,320,833	0.784	0.30

(6) WEIGHTED EXPERIENCE RATIO	= 0.734
(7) CREDIBILITY	= 0.255
(8) EXPECTED EXPERIENCE RATIO	= 0.994
(9) CREDIBILITY WEIGHTED EXPERIENCE RATIO (0.255 X 0.734) + (0.745 X 0.994)	= 0.928
(10) INDICATED COVERAGE LOSS COST CHANGE	= 0.928
	OR -7.2%

* AGGREGATE LOSS COSTS ARE ADJUSTED TO CURRENT ISO LOSS COST LEVEL
AND 4/1/2009 AMOUNT OF INSURANCE LEVELS.

** INCURRED LOSSES ARE ADJUSTED TO 10/1/2009 COST LEVELS INCLUDING LOSS
DEVELOPMENT AND ALL LOSS ADJUSTMENT EXPENSES.

EXPLANATORY NOTES TO TABLES 5, 6 AND 7

STATEWIDE BASIC GROUP I, BASIC GROUP II AND
SPECIAL CAUSES OF LOSS COVERAGE LOSS COST LEVEL EVALUATION

COLUMN (1)

EXPERIENCE PERIOD

Experience for the five most recent accident years is used for BG I and SCL. Experience for the ten most recent accident years is used for BG II.

COLUMN (2)

AGGREGATE LOSS COSTS

Since the objective of the ratemaking procedure is to test the adequacy of the current ISO loss costs, premium data for each year in the experience period are adjusted to the loss cost level which would have been earned had the current loss costs been in effect. This is accomplished by using either an extension-of-exposures (PPR or premium at present rates/loss costs) approach or an on-level approach.

Extension of Exposures Approach

Where feasible, aggregate loss costs at current level (ALCCL) are developed using an extension-of-exposures approach. That is, the exposure (amount of insurance per \$100) for each policy is multiplied by the current manual loss cost for that state, territory, subline, coverage, construction, occupancy and by any other applicable rating factors, such as deductible relativities or protection class factors.

On-Level Approach

The on-level approach is applied on an individual policy basis. The first step in the process is to multiply the reported premiums by the product of all loss cost level changes that have become effective subsequent to the inception date of the policy. The premiums are divided by the reported Rating Modification Factors and Loss Cost Multipliers to bring them to current ISO monoline manual loss cost level.

The on-level approach is used to adjust those premium records which cannot be adjusted using the extension-of-exposures technique, for example, premium records for: 1) Basic Group I specifically-rated properties, for which manual loss costs do not exist, 2) some data reported under the Commercial Minimum Statistical Plan (CMSP), which does not currently capture all of the data elements necessary to PPR, and 3) premiums for time element coverage. In addition, records failing an exposure edit which checks for a reasonable relationship between the reported premium and exposure amount have also been on-leveled.

STATEWIDE BASIC GROUP I, BASIC GROUP II AND
SPECIAL CAUSES OF LOSS COVERAGE LOSS COST LEVEL EVALUATION (cont'd)

COLUMN (2)
(cont'd)

Current IPMF and Prospective Amount of Insurance Levels

Premiums are also adjusted to prospective amount of insurance levels by exposure trend factors to reflect the impact of inflation on the average amount of insurance written (Table 24). After multiline premiums are brought to current ISO monoline manual level, they are further adjusted to implicit package modification factor (IPMF) level by the application of Commercial Package Policy (CPP) IPMF's which vary by the eight CPP types of policy. (Both the adjustments to prospective amount of insurance level and to current IPMF level are done on an aggregate basis.) For a more complete description of the IPMF's and the other premium adjustments, refer to Tables 18 through 20 in the supporting material.

Lastly, the domestic terrorism loading is excluded from the Aggregate Loss Costs at Current Level (ALCCL) so that both the ALCCL and adjusted incurred losses (which exclude terrorism losses) are on a non-terrorism basis.

COLUMN (3)

ADJUSTED INCURRED LOSSES

In order to assure the adequacy of the proposed loss cost level, incurred losses are adjusted to reflect the effect of inflation and other trends on loss costs. The adjustment of past losses to prospective levels is accomplished on an individual loss basis by application of current cost factors, loss projection factors and loss trend adjustments (Tables 21 through 23). In addition to adjusting losses to prospective cost level, the effect of inflation on the deductible portion of the loss incurred is reflected.

For each subline, incurred losses are further adjusted by an excess loss procedure which smoothes fluctuations due to large loss occurrences. The procedure removes any losses determined to be excess from the total incurred losses, resulting in normal incurred losses. These normal incurred losses (total - excess) are then multiplied by excess loss factors to calculate adjusted incurred losses (Tables 29 through 32). The resulting adjusted incurred losses are then developed to their ultimate settlement value and loaded by a factor to include all loss adjustment expenses. Loss development factors can be found on Table 28, and loss adjustment expense factors on Table 43.

COLUMN (4)

EXPERIENCE RATIO

The experience ratio is the ratio of adjusted incurred losses to aggregate loss costs for each year.

STATEWIDE BASIC GROUP I, BASIC GROUP II AND
SPECIAL CAUSES OF LOSS COVERAGE LOSS COST LEVEL EVALUATION (cont'd)

COLUMN (5) - BG I, SCL WEIGHTS

For Basic Group I and Special Causes of Loss, the yearly experience ratios are weighted using weights of 10%, 15%, 20%, 25%, and 30% with the greatest weight assigned to the most recent year. These weights recognize the need to balance stability and responsiveness. The ten Basic Group II experience ratios are equally weighted, each given 10% weight.

LINE (6) - BG I, SCL WEIGHTED EXPERIENCE RATIO
LINE (5) - BG II

For Basic Group I and Special Causes of Loss, the weights are applied to the experience ratios to yield the weighted experience ratio. For Basic Group II, the experience ratios are equally weighted. These weighted experience ratios represent a projection of the experience which would result if future policies were written without a loss cost level revision.

LINE (7) - BG I, SCL CREDIBILITY
LINE (6) - BG II

The standards for 100% credibility are discussed in detail in Tables 33, 33A, and 34 for Basic Group I, Basic Group II, and Special Causes of Loss, respectively.

LINE (8) - BG I, SCL EXPECTED EXPERIENCE RATIO
LINE (7) - BG II

The expected experience ratio is ISO's best prediction of the experience ratio if the actual incurred experience were not available. For this review, we have assumed that the current loss costs were adequate when implemented and will be inadequate for the prospective period only to the extent of the net trend. The expected experience ratio is represented by the net (loss/amount of insurance) trend factor.

LINE (9) - BG I, SCL CREDIBILITY WEIGHTED EXPERIENCE RATIO
LINE (8) - BG II

The credibility weighted experience ratio is a weighted average of the weighted experience ratio (line(6) for BG I and SCL; line (5) for BG II) and the expected experience ratio (line (8) for BG I and SCL; line (7) for BG II) using the credibility factor and its complement as respective weights. For more detailed information regarding the development of the credibility factors, refer to Tables 33, 33A, and 34.

LINE (10) - BG I, SCL INDICATED COVERAGE LOSS COST CHANGE
LINE (9) - BG II

The credibility weighted experience ratio yields the overall coverage loss cost level change for Basic Group I (see Table 5), Basic Group II (see Table 6), and Special Causes of Loss (see Table 7).

STATEWIDE BASIC GROUP I, BASIC GROUP II AND
SPECIAL CAUSES OF LOSS COVERAGE LOSS COST LEVEL EVALUATION (cont'd)

LINE (11) - BGI

DOMESTIC TERRORISM LOADING

This is the domestic terrorism loading introduced in filing CF-2004-RLA1. Due to revisions in the Federal Terrorism Risk Insurance Program, this provision is being excluded.

LINE (12) - BGI

TOTAL COVERAGE CHANGE EXCLUDING DOMESTIC TERRORISM

The total coverage change is the Indicated Coverage Change (line 10) divided by the Domestic Terrorism Loading (line 11).

COMPOSITION OF THE RATEMAKING DATA BASE

DATA INCLUDED

BASIC GROUP I

- . CSP Subline 010 (Commercial Fire)
- . CSP Subline 015 (Basic Group I, i.e., Fire, Lightning, Explosion, Vandalism, Sprinkler Leakage)
- . CSP Subline 016 (BG I excluding Vandalism)
- . CSP Subline 017 (BG I excluding Sprinkler Leakage)
- . CSP Subline 018 (BG I excluding Vandalism and Sprinkler Leakage)

BASIC GROUP II

- . CSP Subline 020 (Extended Coverage)
- . CSP Subline 025 (Basic Group II, i.e., Windstorm or Hail, Smoke, Aircraft or Vehicles, Riot or Civil Commotion, Sinkhole Collapse and Volcanic Action)
- . CSP Subline 027 (Basic Group II Causes of Loss, i.e., Windstorm or Hail, Smoke, Aircraft or Vehicles, Riot or Civil Commotion, Sinkhole Collapse and Volcanic Action)
- . CSP Subline 029 (Basic Group II Causes of Loss excluding Windstorm or Hail)

SPECIAL CAUSES OF LOSS

- . CSP Subline 028 (All Other Perils Special Coverage Forms & Endorsements)
- . CSP Subline 035 (Causes of Loss Special Form Including Theft)
- . CSP Subline 045 (Causes of Loss Special Form Excluding Theft)

NOTES ON DATA INCLUDED

All CSP data are reviewed for CSP Types of Policy 10 (monoline), 3X, 70, and 7X (multiline).

For BG I, BG II and SCL, the reviewed experience is for property damage and time element coverages (coverage codes 1-7, as well as coverage code 9 reported under pre-simplification sublines 010, 020, and 028).

COMPOSITION OF THE RATEMAKING DATA BASE (cont'd)

<u>DATA EXCLUDED</u>	<u>TYPE OF DATA</u>	<u>BG I</u>	<u>BG II</u>	<u>SCL</u>
.	Non-voluntary experience (e.g. FAIR Plans)	X	X	NA
.	Dwelling experience	X	X	X
.	Farm experience	X	X	NA
.	Countrywide rated risks	X	X	X
.	Highly protected risks	X	X	X
.	Experience for policies with large deductibles	X	X	X

X indicates that experience is excluded.

Separately identifiable terrorism premium and loss records have been excluded from the ratemaking experience.

OVERVIEW OF ISO ACTUARIAL PROCEDURES - COMMERCIAL PROPERTY

STEP 2 - DISTRIBUTION OF LOSS COST LEVEL CHANGES

OBJECTIVE

The objective of this procedure is to distribute the indicated statewide loss cost level change for Basic Group I, Basic Group II, and Special Causes of Loss among the various rating variables used in each subline. These procedures are used to answer the question: What percentage change for each rating variable must be made to the current ISO loss costs in order to achieve adequacy for the prospective conditions?

BASIC GROUP I

For Basic Group I, a consolidated simultaneous iterative procedure is used to calculate rating ID relativities, while another simultaneous iterative procedure is used to calculate the type of policy and rating group relativities. More detail on these procedures, as well as the similarities and differences, is given in Tables 8 and 41. The type of policy relativities serve to price Commercial Package policies relative to monoline policies, via the Package Modification Factors (PMF), while the rating group and rating ID relativities serve to price the various rating groups and rating IDs relative to one another.

The indicated monoline loss cost level changes displayed on Table 2 are calculated for each rating group/rating ID combination by taking the product of the monoline type of policy relativity, the rating group relativity, the rating ID relativity and the statewide loss cost level change.

The overall monoline loss cost level change is the weighted average of the rating group/rating ID combination changes. In calculating this weighted average, the latest year aggregate monoline and multiline combined loss costs at current level are used as weights.

BASIC GROUP II

The purpose of the Basic Group II relativity analysis is to determine monoline loss cost level needs, to obtain marginal relativities displayed on Table 12 and to price CPP policies relative to monoline policies via the PMFs. Unlike the BG I and SCL relativity analyses, the BG II relativity analysis does not employ a simultaneous review procedure because the overall loss cost change is distributed across type of policy only. The indicated statewide monoline loss cost change is the product of the monoline type of policy relativity and the statewide loss cost level change.

OVERVIEW OF ISO ACTUARIAL PROCEDURES - COMMERCIAL PROPERTY

STEP 2 - DISTRIBUTION OF LOSS COST LEVEL CHANGES (cont'd)

SPECIAL CAUSES OF LOSS

For Special Causes of Loss, a simultaneous iterative procedure is used as for BG I to arrive at a set of type of policy and category relativities (as displayed on Table 9) that best represent the experience within each state. The type of policy relativities serve to price CPP policies relative to monoline policies via the PMFs, while the category relativities serve to price the various categories relative to one another.

The indicated monoline loss cost level changes are calculated for each category by taking the product of the monoline type of policy relativity, the category relativity and the statewide loss cost change. See Table 9 for the monoline loss cost indications.

The overall monoline loss cost level change is a weighted average of the five monoline category changes. In calculating this weighted average, the latest year monoline and multiline combined loss costs at current level are used as weights.

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TABLE 8 - BASIC GROUP I RELATIVITY ANALYSIS

	(1)	(2)	(3)	(4)	STATEWIDE COVERAGE LOSS COST CHANGE OF 0.890 OR -11.0%
TOP	\$ LST SQ FORMULA RELATIVITY	CREDIBILITY Z	Z-WTD. RELATIVITY	BALANCED RELATIVITY	
10	1.382	0.200	1.067	1.086	
31	0.633	0.077	0.965	0.983	
32	0.988	0.142	0.998	1.017	
33	0.710	0.178	0.941	0.958	
34	0.914	0.440	0.961	0.979	
35	0.777	0.394	0.905	0.922	
36	1.231	0.270	1.058	1.077	
37	1.294	0.229	1.061	1.080	
38	1.371	0.085	1.027	1.046	

BALANCED RATING ID RELATIVITY: SPECIFIC 0.994 CLASS 1.007

RATING GROUP	(5) INDICATED MONOLINE LOSS COST LEVEL CHANGE **
01	0.775 0.076 0.981 0.988 -4.1
02	0.996 0.093 1.000 1.006 -2.3
03	1.174 0.166 1.027 1.034 -0.6
04	0.963 0.382 0.986 0.992 -4.0
05	1.157 0.046 1.007 1.014 -1.7
06	0.912 0.295 0.973 0.980 -5.0
07	0.930 0.079 0.994 1.001 -3.1
08	0.959 0.268 0.989 0.996 -3.4
09	0.934 0.133 0.991 0.998 -3.4
10	1.496 0.079 1.032 1.039 +0.4
11	1.235 0.033 1.007 1.014 -2.0
13	0.942 0.135 0.992 0.999 -3.2
14	0.967 0.107 0.996 1.003 -2.6
15	1.099 0.083 1.008 1.015 -1.9
17	1.257 0.029 1.007 1.014 -2.0
18	0.965 0.080 0.997 1.004 -3.5
19	0.846 0.016 0.997 1.004 -3.2
21	1.178 0.112 1.019 1.026 -1.4
22	1.024 0.086 1.002 1.009 -3.0

STATEWIDE MONOLINE LOSS COST LEVEL CHANGE -3.3%

** THESE INDICATED CHANGES WERE THEN SUBJECT TO A CAPPING PROCEDURE;
THE RESULTING FINAL CHANGES BY RATING GROUP APPEAR ON TABLE 2.

TABLE 8 INDICATIONS DO NOT REFLECT THE REMOVAL OF THE BASIC GROUP I DOMESTIC
TERRORISM LOADING.

ARKANSAS

TABLE 8 - BASIC GROUP I LOSS RELATIVITY ANALYSIS

EXAMPLE OF AN INDIVIDUAL LOSS COST CHANGE CALCULATION
FOR ENTIRE STATE

STATEWIDE COVERAGE LOSS COST LEVEL CHANGE	=	-11.0%
RATING ID (SPECIFIC) RELATIVITY	=	0.994
MONOLINE (TOP 10) RELATIVITY	=	1.086
RATING GROUP 01 RELATIVITY	=	0.988

INDICATED MONOLINE LOSS COST LEVEL CHANGE FOR RATING GROUP 01, SPECIFIC-RATED:

$$= 0.890 \quad \times \quad 0.994 \quad \times \quad 1.086 \quad \times \quad 0.988 \quad = 0.949$$

OR -5.1%

TABLE 8 INDICATIONS DO NOT REFLECT THE REMOVAL OF THE BASIC GROUP I DOMESTIC
TERRORISM LOADING.

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TABLE 9 - SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

TOP	(1) \$ LST SQ FORMULA RELATIVITY	(2) CREDIBILITY Z	(3) Z-WTD. RELATIVITY	(4) BALANCED RELATIVITY	STATEWIDE COVERAGE LOSS COST CHANGE OF 0.928 OR -7.2%
10	0.881	0.169	0.979	0.981	
31	0.232	0.042	0.940	0.942	
32	1.207	0.121	1.023	1.025	
33	1.389	0.144	1.048	1.051	
34	0.754	0.254	0.931	0.933	
35	1.101	0.342	1.033	1.036	
36	1.004	0.233	1.001	1.003	
37	0.843	0.141	0.976	0.978	
38	1.204	0.098	1.018	1.020	
CATEGORY					(5) INDICATED MONOLINE LOSS COST LEVEL CHANGE
01	0.885	0.601	0.929	0.970	-11.7
02	0.090	0.017	0.960	1.002	-8.8
03	1.301	0.096	1.026	1.070	-2.6
04	1.523	0.168	1.073	1.120	+2.0
05	1.323	0.138	1.039	1.085	-1.2
OVERALL MONOLINE LOSS COST LEVEL CHANGE					-8.9%

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TABLE 9 - SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

EXAMPLE OF A LOSS COST CHANGE CALCULATION

STATEWIDE COVERAGE LOSS COST LEVEL CHANGE	=	-7.2%
MONOLINE (TOP 10) RELATIVITY	=	0.981
CATEGORY 01 RELATIVITY	=	0.970

INDICATED MONOLINE LOSS COST LEVEL CHANGE FOR CATEGORY 01

= 0.928	X	0.981	X	0.970	=	0.883
					OR	-11.7%

EXPLANATORY NOTES TO TABLES 8 AND 9

BASIC GROUP I AND SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

INTRODUCTION

The explanations which follow clarify Tables 8 and 9, the Basic Group I relativity analysis and the Special Causes of Loss relativity analysis, respectively. The purpose of these analyses is to:

- (1) determine monoline classification loss cost level needs for Basic Group I for class-rated and specifically-rated risks;
- (2) determine monoline category loss cost level needs for Special Causes of Loss;
- (3) determine indicated changes to the eight CPP package modification factors (PMFs) based on Basic Group I/Special Causes of Loss experience.

COLUMN (1)

LEAST SQUARES FORMULA RELATIVITIES

The least squares formula relativities are the marginal relativities which result from the application of the simultaneous review procedure to the raw experience (where marginal refers to the relativities for a given rating variable, e.g. type of policy, across all subsets of any other rating variables, i.e. rating group and rating ID for Basic Group I, and category for Special Causes of Loss).

The purpose of such a simultaneous review procedure is to arrive at a set of type of policy relativities (which will serve to price CPP policies relative to monoline policies via the PMFs); a set of rating group relativities for Basic Group I; and a set of category relativities for Special Causes of Loss that best represent the experience. This procedure is in contrast to a review of each rating variable's experience separately. Such one-way types of review do not take into account differing percentages of monoline and multiline experience in each rating variable, nor differing percentages of a particular rating variable's experience in the monoline and multiline types of policy. The simultaneous relativity procedure accounts for these different distributions in generating relativities for the various rating variables.

EXPLANATORY NOTES TO TABLES 8 AND 9 (cont'd)

COLUMN (1)
(Cont'd)

The procedure follows an iterative technique to determine a set of marginal relativities by rating variable that is a best fit to the individual cell relativities, with each cell being defined as the cross-section of specific values of each rating variable. The process uses the relativity of the five year experience ratios by rating cell to the overall statewide experience ratio and the latest year aggregate loss costs for each rating cell. (This experience is shown in Table 10 for Basic Group I and Table 11 for Special Causes of Loss.) Specifically, the iteration procedure uses the following formulas:

BASIC GROUP I:

$$TOP_i = \frac{\sum_{j=1}^n w_{ij}^2 R_{ij} RG_j}{\sum_{j=1}^n w_{ij}^2 RG_j^2}, \text{ where } 1 \leq i \leq m;$$

$$RG_j = \frac{\sum_{i=1}^m w_{ij}^2 R_{ij} TOP_i}{\sum_{i=1}^m w_{ij}^2 TOP_i^2}, \text{ where } 1 \leq j \leq n;$$

SPECIAL CAUSES OF LOSS:

$$TOP_i = \frac{\sum_{j=1}^n w_{ij}^2 R_{ij} CAT_j}{\sum_{j=1}^n w_{ij}^2 CAT_j^2}, \text{ where } 1 \leq i \leq m;$$

$$CAT_j = \frac{\sum_{i=1}^m w_{ij}^2 R_{ij} TOP_i}{\sum_{i=1}^m w_{ij}^2 TOP_i^2}, \text{ where } 1 \leq j \leq n;$$

- TOP_i is the relativity for the i th type of policy;
- RG_j is the relativity for the j th rating group;
- CAT_j is the relativity for the j th category;

EXPLANATORY NOTES TO TABLES 8 AND 9 (cont'd)

COLUMN (1)
(cont'd)

- W_{ij} is the loss cost volume at current level for the i th type of policy, and j th rating group;
- R_{ij} is the experience ratio relativity for the i th type of policy, and j th rating group or category;
- m is the number of types of policy in the analysis;
- n is the number of rating groups or categories in the analysis;

The procedure determines m type of policy relativities using the above formulas. Then, using those results, a set of n rating group relativities is determined. These steps form an iterative process which continues until there is no appreciable difference in results from one iteration to the next.

COLUMN (2)

CREDIBILITY

The credibility of the experience for each rating variable is determined from the formula:

$$Z = \frac{P}{P + K},$$

where P represents the five-year aggregate adjusted loss costs for a given rating variable, and K is a constant value; for Basic Group I and Special Causes of Loss, K equals an aggregate loss cost volume of \$30,000,000 and \$10,000,000, respectively.

COLUMN (3)

CREDIBILITY-WEIGHTED RELATIVITIES

Credibility-weighted relativities are calculated based on the formula

$$W = R^Z,$$

where Z is the credibility, R is the least squares formula relativity and W is the credibility weighted relativity for a given rating variable.

This formula implicitly assigns the complement of credibility to a relativity of unity.

EXPLANATORY NOTES TO TABLES 8 AND 9 (cont'd)

COLUMN (4)

BALANCED RELATIVITIES

The credibility-weighted relativities are balanced to assure that the average relativity across all rating variables remains at unity.

BALANCED RELATIVITIES - RATING ID (BASIC GROUP I ONLY)

For Basic Group I, balanced relativities are calculated for rating IDs (class versus specific). These relativities are calculated via a separate simultaneous procedure, which differs in a number of ways from the simultaneous review discussed above. (A description of the procedure used to develop the rating ID relativities is found in the Overview to Table 41.)

The BG I rating ID relativities resulting from this procedure are balanced and weighted together with the results of the Table 8 simultaneous review procedure used to generate marginal relativities for the other BG I rating variables to produce the monoline loss cost changes in column (5).

COLUMN (5)

INDICATED MONOLINE LOSS COST LEVEL CHANGE

For Basic Group I, the indicated monoline loss cost changes are calculated for each rating group and rating ID by taking the product of the monoline type of policy (TOP 10) relativity, the rating group relativity, the rating ID relativity and the statewide loss cost level change. (An example of such a calculation appears on Table 8.)

The indicated monoline loss cost changes by rating group shown in Table 8 of this analysis are the aggregate loss cost weighted averages of the monoline loss cost changes for the rating group across both rating IDs. The indicated overall statewide monoline loss cost level change shown at the bottom of the first page of Table 8 is the aggregate loss cost-weighted average of the individual rating group changes across both rating IDs.

For Special Causes of Loss, the indicated monoline loss cost changes are calculated for each category by taking the product of the monoline type of policy (TOP 10) relativity, the category relativity, and the statewide loss cost level change. (An example of such a calculation is included in Table 9.) The indicated overall statewide loss cost level change shown at the bottom of Table 9 is the aggregate loss cost-weighted average of the individual category changes.

EXPLANATORY NOTES TO TABLES 8 AND 9 (cont'd)

COLUMN (5)
(cont'd)

In all cases, the loss costs used in these calculations are the latest year's monoline and multiline combined adjusted loss costs.

MULTILINE
CONSIDERATIONS

The type of policy (TOP) relativities are used to generate multiline indications which apply to the current implicit package modification factors (IPMF's). The indicated IPMF's are calculated as follows:

$$\begin{array}{ccc} \text{TOP y indicated} & = & \frac{(\text{TOP y current IPMF})(\text{TOP y relativity})}{\text{monoline relativity}} \\ \text{IPMF} & & \end{array}$$

For each CPP type of policy, the indicated IPMF is subject to a minimum value of 0.50 and a maximum value of 1.50. If an indicated IPMF falls outside one of those limits, it is capped at that amount, the loss costs for that type of policy are adjusted to the capped IPMF level, and the entire relativity review as described above is re-performed to take this into account. If an IPMF has been capped, it is so noted at the bottom of Table 8 and Table 9.

It should be noted that although this procedure generates multiline indications, this filing only addresses monoline loss cost levels. That is, upon implementation of this filing only the monoline loss costs will be revised. The multiline indications developed here will be combined with those of the other component coverages, e.g. GL Premises and Operations in the CPP review for the purpose of revising the package modification factors.

Entire State (Arkansas)

ARKANSAS

BASIC GROUP I RELATIVITY ANALYSIS

TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 03/31/07 AGGREGATE LOSS COSTS	(2) 5 -YEAR AGGREGATE LOSS COSTS	(3) 5 -YEAR EXPERIENCE RATIO	(4) 2-WEIGHTED EXPERIENCE RATIO	(5) 2-WEIGHTED RELATIVITY
10 MONOLINE						
	01 APARTMENTS	43,641	299,987	0.099	0.735	1.161
	02 OTHER HABITATIONAL	81,831	238,799	0.828	0.861	1.360
	03 RESTAURANTS & BARS	24,664	75,678	0.847	0.864	1.365
	04 OTHER MERCANTILE RS	278,962	1,186,351	0.464	0.781	1.234
	05 PUBLIC BUILDINGS	72,990	381,855	0.547	0.811	1.281
	06 CHURCHES	8,974	43,414	0.853	0.865	1.367
	07 SCHOOLS	60,215	248,169	2.101	1.078	1.703
	08 OFFICES AND BANKS	259,274	1,045,223	0.958	0.887	1.401
	09 REC. FACILITIES	93,075	448,896	0.605	0.820	1.295
	10 HOTELS AND MOTELS	26,474	79,072	3.650	1.318	2.082
	11 HOSPITALS/NURS HOME	59,608	298,456	1.993	1.062	1.678
	13 MOTOR VEHICLE RISKS	109,715	531,189	1.724	1.026	1.621
	14 OTHER NON-MANUF.	129,264	464,161	0.474	0.796	1.258
	15 STORAGE	57,903	224,480	0.644	0.830	1.311
	17 FOOD MANUFACTURING	3,417	29,973	0.000	0.729	1.152
	18 WOOD MANUFACTURING	379,463	1,048,326	1.001	0.896	1.415
	19 WEARING APPAREL	968	19,506	0.362	0.787	1.243
	21 METAL MANUFACTURING	135,080	447,465	0.889	0.872	1.378
	22 OTHER MANUFACTURING	104,457	387,760	0.021	0.717	1.133
	TOTAL*	1,929,975	7,498,760	0.884	0.869	1.373
31 MULTILINE MOTEL/HOTEL						
	10 HOTELS AND MOTELS	489,324	2,492,127	0.781	0.601	0.949
	TOTAL*	489,324	2,492,127	0.781	0.601	0.949
32 MULTILINE APARTMENT						
	01 APARTMENTS	545,082	2,179,305	0.318	0.486	0.768
	02 OTHER HABITATIONAL	597,762	2,781,821	0.862	0.625	0.987
	TOTAL*	1,142,844	4,961,126	0.603	0.559	0.883
33 MULTILINE OFFICE						
	08 OFFICES AND BANKS	1,295,699	6,502,983	0.245	0.432	0.682
	TOTAL*	1,295,699	6,502,983	0.245	0.432	0.682
34 MULTILINE MERCANTILE						
	03 RESTAURANTS & BARS	1,231,750	5,414,949	0.960	0.683	1.079
	04 OTHER MERCANTILE RS	3,152,508	14,570,564	0.575	0.558	0.882
	08 OFFICES AND BANKS	131,789	553,179	0.362	0.508	0.803
	13 MOTOR VEHICLE RISKS	226,598	973,615	0.070	0.447	0.706
	14 OTHER NON-MANUF.	76,152	414,150	2.947	0.962	1.520
	15 STORAGE	376,719	1,652,647	1.256	0.700	1.106
	TOTAL*	5,195,516	23,579,104	0.723	0.598	0.944

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BASIC GROUP I RELATIVITY ANALYSIS

TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 03/31/07 AGGREGATE LOSS COSTS	(2) 5 -YEAR AGGREGATE LOSS COSTS	(3) 5 -YEAR EXPERIENCE RATIO	(4) 2-WEIGHTED EXPERIENCE RATIO	(5) 2-WEIGHTED RELATIVITY
35 MULTILINE INSTITUTIONAL						
	02 OTHER HABITATIONAL	4,139	68,939	0.103	0.470	0.742
	05 PUBLIC BUILDINGS	204,572	1,051,381	0.924	0.617	0.975
	06 CHURCHES	2,808,560	12,479,763	0.354	0.450	0.711
	07 SCHOOLS	439,422	2,311,897	0.173	0.450	0.711
	08 OFFICES AND BANKS	381,025	1,130,963	0.117	0.454	0.717
	09 REC. FACILITIES	214,598	890,229	0.139	0.462	0.730
	11 HOSPITALS/NURS HOME	144,827	718,593	0.937	0.615	0.972
	13 MOTOR VEHICLE RISKS	4,455	16,065	0.000	0.455	0.719
	14 OTHER NON-MANUF.	229,416	822,767	0.387	0.511	0.807
	TOTAL*	4,431,014	19,490,597	0.352	0.467	0.738
36 MULTILINE SERVICES						
	03 RESTAURANTS & BARS	86,400	460,076	0.010	0.689	1.088
	04 OTHER MERCANTILE RS	189,033	767,581	2.231	1.034	1.633
	08 OFFICES AND BANKS	161,512	683,407	0.552	0.768	1.213
	09 REC. FACILITIES	671,521	3,247,288	0.457	0.730	1.153
	13 MOTOR VEHICLE RISKS	622,183	3,087,574	0.495	0.739	1.167
	14 OTHER NON-MANUF.	262,648	1,565,334	0.389	0.732	1.156
	15 STORAGE	212,412	854,489	0.292	0.725	1.145
	21 METAL MANUFACTURING	21,232	71,404	0.000	0.696	1.100
	22 OTHER MANUFACTURING	92,969	369,405	0.090	0.703	1.111
	TOTAL*	2,319,910	11,106,558	0.560	0.757	1.195
37 MULTILINE INDUST/PROCESS						
	04 OTHER MERCANTILE RS	62,818	361,980	1.975	0.980	1.548
	08 OFFICES AND BANKS	34,855	176,864	0.336	0.741	1.171
	13 MOTOR VEHICLE RISKS	20,523	85,314	0.093	0.709	1.120
	14 OTHER NON-MANUF.	23,593	97,128	0.000	0.696	1.100
	15 STORAGE	572	947	0.000	0.698	1.103
	17 FOOD MANUFACTURING	140,892	875,344	2.195	1.033	1.632
	18 WOOD MANUFACTURING	251,422	1,558,696	0.672	0.672	1.062
	19 WEARING APPAREL	79,713	458,631	0.049	0.695	1.098
	21 METAL MANUFACTURING	682,604	3,249,306	1.553	0.975	1.540
	22 OTHER MANUFACTURING	420,217	2,067,511	1.063	0.858	1.355
	TOTAL*	1,717,209	8,931,721	1.148	0.882	1.394

Entire State (Arkansas)

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BASIC GROUP I RELATIVITY ANALYSIS

TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 03/31/07 AGGREGATE LOSS COSTS	(2) 5 -YEAR AGGREGATE LOSS COSTS	(3) 5 -YEAR EXPERIENCE RATIO	(4) 2-WEIGHTED EXPERIENCE RATIO	(5) 2-WEIGHTED RELATIVITY
38 MULTILINE CONTRACTORS	04 OTHER MERCANTILE RS 08 OFFICES AND BANKS 14 OTHER NON-MANUF. TOTAL*	374,390 192,404 41,868 608,662	1,660,484 896,816 244,616 2,801,916	1.034 0.724 0.189 0.878	0.850 0.795 0.719 0.823	1.343 1.256 1.136 1.301
TOTAL ALL TOPS*	01 APARTMENTS 02 OTHER HABITATIONAL 03 RESTAURANTS & BARS 04 OTHER MERCANTILE RS 05 PUBLIC BUILDINGS 06 CHURCHES 07 SCHOOLS 08 OFFICES AND BANKS 09 REC. FACILITIES 10 HOTELS AND MOTELS 11 HOSPITALS/NURS HOME 13 MOTOR VEHICLE RISKS 14 OTHER NON-MANUF. 15 STORAGE 17 FOOD MANUFACTURING 18 WOOD MANUFACTURING 19 WEARING APPAREL 21 METAL MANUFACTURING 22 OTHER MANUFACTURING TOTAL*	588,723 683,732 1,342,814 4,057,711 277,562 2,817,534 499,637 2,456,558 979,194 515,798 204,435 983,474 762,941 647,606 144,309 630,885 80,681 838,916 617,643 19,130,153	2,479,292 3,089,559 5,950,703 18,546,960 1,433,236 12,523,177 2,560,066 10,989,435 4,586,413 2,571,199 1,017,049 4,693,757 3,608,156 2,732,563 905,317 2,607,022 478,137 3,768,175 2,824,676 87,364,892	0.302 0.853 0.897 0.709 0.825 0.356 0.405 0.366 0.401 0.928 1.245 0.524 0.635 0.884 2.143 0.624 0.053 1.407 0.740 0.639	0.505 0.652 0.687 0.629 0.668 0.451 0.525 0.542 0.680 0.638 0.745 0.702 0.698 0.720 1.026 0.806 0.696 0.952 0.811 0.633	0.797 1.031 1.085 0.994 1.055 0.713 0.830 0.857 1.074 1.008 1.177 1.109 1.102 1.137 1.621 1.274 1.100 1.503 1.281 1.001

* TOTALS IN COLUMNS (3), (4) & (5) ARE AVERAGES USING COLUMN (1) AS WEIGHTS.

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SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS
TABLE 11 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 03/31/07 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) RELATIVITY
10 MONOLINE					
	01 BUILDINGS	318,301	1,345,259	0.569	0.770
	02 APARTMENT CONTENTS	2,614	15,864	0.285	0.386
	03 OFFICE CONTENTS	36,440	163,113	1.429	1.934
	04 MERC/MOTEL-HOTEL/IN	54,396	256,447	1.124	1.521
	05 SERV/INDUST-PROC/CO	50,179	248,019	0.602	0.815
	TOTAL*	461,930	2,028,702	0.704	0.953
31 MULTILINE MOTEL/HOTEL					
	01 BUILDINGS	77,990	377,468	0.138	0.187
	04 MERC/MOTEL-HOTEL/IN	17,862	61,495	0.421	0.570
	TOTAL*	95,852	438,963	0.191	0.258
32 MULTILINE APARTMENT					
	01 BUILDINGS	288,579	1,216,262	0.791	1.070
	02 APARTMENT CONTENTS	39,130	160,492	0.080	0.108
	TOTAL*	327,709	1,376,754	0.706	0.955
33 MULTILINE OFFICE					
	01 BUILDINGS	244,088	1,232,110	0.915	1.238
	03 OFFICE CONTENTS	80,440	445,082	1.308	1.770
	TOTAL*	324,528	1,677,192	1.012	1.369
34 MULTILINE MERCANTILE					
	01 BUILDINGS	525,880	2,492,505	0.453	0.613
	03 OFFICE CONTENTS	5,854	32,551	1.403	1.899
	04 MERC/MOTEL-HOTEL/IN	173,739	820,055	1.063	1.438
	05 SERV/INDUST-PROC/CO	10,306	60,498	2.913	3.942
	TOTAL*	715,779	3,405,609	0.644	0.871
35 MULTILINE INSTITUTIONAL					
	01 BUILDINGS	925,629	4,594,416	0.735	0.995
	03 OFFICE CONTENTS	18,920	92,268	0.893	1.208
	04 MERC/MOTEL-HOTEL/IN	129,866	451,357	0.847	1.146
	05 SERV/INDUST-PROC/CO	15,109	60,161	0.576	0.779
	TOTAL*	1,089,524	5,198,202	0.749	1.014
36 MULTILINE SERVICES					
	01 BUILDINGS	476,114	2,117,345	0.671	0.908
	03 OFFICE CONTENTS	16,333	81,564	0.717	0.970
	04 MERC/MOTEL-HOTEL/IN	19,751	96,499	1.454	1.968
	05 SERV/INDUST-PROC/CO	139,643	747,208	0.880	1.191
	TOTAL*	651,841	3,042,616	0.741	1.003

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SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS
TABLE 11 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 03/31/07 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) RELATIVITY
37 MULTILINE INDUST/PROC	01 BUILDINGS	221,372	1,113,915	0.460	0.622
	03 OFFICE CONTENTS	7,287	31,864	1.418	1.919
	04 MERC/MOTEL-HOTEL/IN	7,680	36,095	0.201	0.272
	05 SERV/INDUST-PROC/CO	90,221	459,472	1.202	1.627
	TOTAL*	326,560	1,641,346	0.680	0.920
38 MULTILINE CONTRACTORS	01 BUILDINGS	130,396	557,030	0.640	0.866
	03 OFFICE CONTENTS	42,685	209,466	1.015	1.373
	04 MERC/MOTEL-HOTEL/IN	63,628	294,737	1.779	2.407
	05 SERV/INDUST-PROC/CO	3,906	21,230	0.680	0.920
	TOTAL*	240,615	1,082,463	1.008	1.364
TOTAL ALL TOPS*	01 BUILDINGS	3,208,349	15,046,310	0.644	0.871
	02 APARTMENT CONTENTS	41,744	176,356	0.093	0.126
	03 OFFICE CONTENTS	207,959	1,055,908	1.191	1.612
	04 MERC/MOTEL-HOTEL/IN	466,922	2,016,685	1.085	1.468
	05 SERV/INDUST-PROC/CO	309,364	1,596,588	0.979	1.325
	TOTAL*	4,234,338	19,891,847	0.739	1.000

* TOTALS IN COLUMNS (3) & (4) ARE AVERAGES USING COLUMN (1) AS WEIGHTS.

EXPLANATORY NOTES TO TABLES 10 AND 11

BASIC GROUP I/SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

INTRODUCTION	<p>The experience used in the relativity analysis and displayed on Tables 10 and 11 is the latest five accident years of data reported under the Commercial Statistical Plan. As in the overall review, loss costs have been adjusted to current ISO loss cost and prospective amount of insurance levels (with multiline aggregate loss costs adjusted additionally by the current implicit package modification factors). Incurred losses are adjusted to prospective cost levels, and are further adjusted by the Basic Group I large loss procedure and the Special Causes of Loss excess procedure. Losses have also been developed to their ultimate settlement value by application of loss development factors.</p>
COLUMN (1)	<p><u>2007 AGGREGATE LOSS COSTS</u></p> <p>The latest accident year aggregate loss costs (adjusted as described above) are used as weights both in the calculation of any totals shown in this table and in the iterative formulas used in the simultaneous review procedure.</p>
COLUMN (2)	<p><u>2003-2007 AGGREGATE LOSS COSTS</u></p> <p>The combined five-year adjusted aggregate loss costs (adjusted as described above) are used to calculate the experience ratios in column (3).</p>
COLUMN (3)	<p><u>FIVE-YEAR EXPERIENCE RATIOS</u></p> <p>These are the ratios of the combined five-year adjusted incurred losses (adjusted as described above) to the combined five-year adjusted aggregate loss costs as shown in column (2). Any totals which are shown are weighted averages using the adjusted aggregate loss costs in column (1).</p>
COLUMN (4), TABLE (10)	<p><u>CREDIBILITY (Z) WEIGHTED EXPERIENCE RATIO - BASIC GROUP I ONLY</u></p> <p>For Basic Group I, a credibility procedure is applied to the initial experience ratios in column (3) on a cell-by-cell basis prior to the simultaneous review procedure. The credibility values are calculated using an empirical Bayesian credibility procedure. In the following discussion, cell refers to an individual combination of TOP, rating group, and territory (where applicable).</p>

EXPLANATORY NOTES TO TABLES 10 AND 11 (cont'd)

COLUMN (4),
TABLE (10)
(cont'd)

The important concept underlying empirical Bayesian credibility is that credibility should depend both on the overall variation of the group of which the cell is a member and the variation of the yearly experience ratios for the cell. Therefore, if a cell's data is very stable then a relatively high credibility value is assigned, and vice versa.

The empirical Bayesian credibility formula for individual cell credibility is $Z = ((C-3)/C) (P/(P+K)) + (3/C)$. P equals the cell's five-year adjusted aggregate loss costs and C equals the number of unique combinations of rating variables (Territory, TOP and Rating Group) within a class group. The K value is estimated from the underlying data using the empirical Bayes method and varies by TOP group and by territory where applicable. The three TOP groups used in this analysis are: Monoline (TOP 10), Premises (TOP's 31-35), and Operations (TOP's 36-38). The 3/C term corrects for the statistical bias associated with the credibility process. The minimum credibility that is possible is 3/C.

COLUMN (4),
TABLE (11)

RELATIVITIES - SPECIAL CAUSES OF LOSS ONLY

For Special Causes of Loss, the relativities are the ratios of the five-year experience ratios shown in column (3) to the average five-year experience ratio for all TOP's and categories combined. These relativities represent how much better or worse than average the experience for a given cell is. They are used along with the aggregate loss costs in column (1) as input for the simultaneous review procedure.

COLUMN (5),
TABLE (10)

RELATIVITIES - BASIC GROUP I ONLY

For Basic Group I, the relativities are the ratios of the five-year credibility-weighted experience ratios shown in column (4) to the average five-year credibility-weighted experience ratio for all TOP's, rating groups and territories (where applicable) combined. These relativities represent how much better or worse than average the experience for a given cell is. They are used along with the aggregate loss costs in column (1) as input for the simultaneous review procedure.

ARKANSAS

TABLE 12 - BASIC GROUP II RELATIVITY ANALYSIS

INDICATED LOSS COST ADJUSTMENT: -3.2%		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
ACCIDENT YEAR		ACCIDENT YEARS		FORMULA		Z		BALANCED		NORMALIZED	
ENDING 03/31/07		1998-2007		CREDI-		WEIGHTED		FORMULA		FORMULA	
AGGR. LOSS COSTS		EXPER. RATIO		BILITY Z		RELA-		RELA-		RELA-	
AT CURRENT		AT CURRENT		C		TIVITY D		TIVITY E		TIVITY F	
IMPLICIT PMF		PMF A		(2) / 0.881		TIVITY D		TIVITY E		TIVITY F	
MONOLINE		1,773,142	0.843	0.957	0.352	0.985	0.985	0.985	0.9872		-4.4%
MULTILINE		10,432,381	0.891	1.011	0.702	1.008	1.008	1.000	1.0024		-3.0%
COVERAGE		12,205,523	0.881	1.000				0.9978 B	1.0002		-3.2%
MULTILINE TOP											
31 MOTEL/HOTEL		325,065	0.745	0.846	0.083	0.987	0.987	0.984	0.9862	1.064	-4.5%
32 APARTMENT		684,663	0.868	0.985	0.155	0.998	0.998	0.995	0.9972	0.790	-3.5%
33 OFFICE		780,871	****	****	****	****	****	0.905	0.9070	0.500	-12.2%
34 MERCANTILE		2,459,460	0.976	1.108	0.383	1.041	1.041	1.038	1.0403	0.933	+0.7%
35 INSTITUTIONAL		3,397,810	0.899	1.020	0.424	1.008	1.008	1.005	1.0072	0.674	-2.5%
36 SERVICES		1,472,099	0.963	1.093	0.282	1.026	1.026	1.023	1.0253	0.806	-0.8%
37 INDUST/PROCESS		822,870	0.541	0.614	0.180	0.931	0.931	0.928	0.9300	0.631	-10.0%
38 CONTRACTORS		489,543	0.907	1.030	0.098	1.003	1.003	1.000	1.0022	0.905	-3.0%
10,432,381		0.891 B	1.011			1.011 B	1.011 B	1.000 B	1.0024 B		-3.0%

A - TOP 33 IMPLICIT PMF CAPPED AT 0.500.

FOR COLUMNS (2) THROUGH (5), MONOLINE INCLUDES TOPS 33

AT THESE CAPPED LEVELS AND MULTILINE EXCLUDES TOPS 33

B - AVERAGE WEIGHTED BY COLUMN (1)

C - CREDIBILITY = $P/(P+K)$ WHERE P REPRESENTS THE TOTAL 10 YEAR ADJUSTED LOSS COSTS AND K EQUALS 35,000,000

D - (5) = (3) * (4) + (1.000 - (4))

E - FOR UNCAPPED MULTILINE TOPS: (6) = (5) * (1.008/1.011)

F - (7) = (6) / 0.9978

G - (9) = (7) * (8) / (0.9872)

EXPLANATORY NOTES TO TABLE 12

BASIC GROUP II RELATIVITY ANALYSIS

INTRODUCTION

The explanations which follow clarify Table 12, the Basic Group II (BG II) relativity analysis. The purpose of this analysis is to:

- (1) determine the monoline loss cost level need;
- (2) determine indicated changes to the eight CPP package modification factors (PMFs) based on Basic Group II experience.

COLUMN (1)

2007 AGGREGATE LOSS COSTS

The latest accident year adjusted aggregate loss costs (adjusted in the same manner as in the overall review, i.e. to current manual loss cost and prospective amount of insurance levels, with multiline aggregate loss costs further adjusted to current IPMF level) are used as weights in the calculation of any totals shown in this table.

COLUMN (2)

1998 - 2007 EXPERIENCE RATIO

These experience ratios are the ratios of the combined ten-year CSP adjusted incurred losses (adjusted to current deductible and prospective cost levels including loss development, and smoothed by the BG II excess loss procedure) to the combined ten year CSP adjusted aggregate loss costs. Any totals which are shown are weighted averages using the aggregate loss costs in column (1). When a dash is displayed in the column, it indicates that the indicated IPMF which resulted from this procedure was capped. The procedure which follows when capping occurs is described below.

COLUMN (3)

FORMULA RELATIVITY

The formula relativities are the ratios of the ten year experience ratios for the type of policy (either monoline vs. multiline or individual multiline programs) to the average ten year experience ratio for monoline and multiline combined. These relativities represent how much better or worse than average the experience for a given type of policy is. Again, any totals which are shown are weighted averages and the display of a dash indicates that the resulting IPMF was capped. Unlike the BG I and SCL relativity analyses, the BG II analysis does not employ a simultaneous review procedure since a one way review is involved. That is, the overall loss cost change is only distributed across type of policy; no other rating variables are considered.

EXPLANATORY NOTES TO TABLE 12 (cont'd)

COLUMN (4)

CREDIBILITY

The credibility of the experience for each type of policy is determined from the formula:

$$Z = \frac{P}{P + K}$$

where P is the ten year aggregate adjusted loss costs for a given type of policy, and K is a constant loss cost volume of \$35,000,000.

COLUMN (5)

Z - WEIGHTED RELATIVITY

The weighted relativity is a weighted average of the individual TOP formula relativity and the overall (coverage) formula relativity using credibility and its complement as the respective weights. Therefore, to the extent that the indication for a type of policy is not fully credible, the complement of credibility is assigned to the statewide coverage level change.

COLUMN (6)

BALANCED FORMULA RELATIVITY

The individual multiline weighted relativities are balanced to the multiline weighted relativity level by applying a factor equal to the overall multiline relativity (i.e. the weighted relativity for all multiline combined which is shown on the top of the exhibit directly under the corresponding monoline relativity) divided by the average multiline relativity (i.e. the weighted average of the individual multiline weighted relativities which is shown on the bottom of the exhibit). When the indicated IPMF for a type of policy is capped, the balanced relativity is set equal to the product of the capped IPMF in column (9) and the monoline balanced formula relativity in column (6), divided by the current IPMF in column (8).

COLUMN (7)

NORMALIZED FORMULA RELATIVITY

The normalized relativity is equal to the balanced formula relativity divided by the average monoline/multiline combined relativity. This balances the average monoline/multiline relativity to unity.

COLUMN (8)

CURRENT IMPLICIT PMF

This is the current IPMF for each multiline type of policy.

EXPLANATORY NOTES TO TABLE 12 (cont'd)

COLUMN (9)

INDICATED IMPLICIT PMF

The indicated IPMF is calculated from the normalized relativities as follows:

$$\frac{\text{TOP y indicated IPMF}}{\text{IPMF}} = \frac{(\text{TOP y current IPMF})(\text{TOP y relativity})}{\text{monoline relativity}}$$

For each CPP type of policy the indicated IPMF is subject to a minimum value of 0.50 and a maximum value of 1.50. If an indicated IPMF falls outside one of those limits, it is capped at that amount, the aggregate loss costs for that type of policy are adjusted to the capped IPMF level, and the entire relativity review as described above is redone to take this into account. If an IPMF has been capped it is so noted in footnote A.

COLUMN (10)

INDICATED LOSS COST CHANGES

The indicated monoline and multiline (by TOP) changes are calculated by taking the product of the statewide loss cost level change and the corresponding TOP relativity.

The overall multiline loss cost level change is the aggregate loss cost weighted average of all multiline TOP loss cost level changes.

MULTILINE
CONSIDERATIONS

It should be noted that although this procedure generates multiline indications, this filing only addresses monoline loss cost levels. That is, upon implementation of this filing only the monoline loss costs will be revised. The multiline indications developed here will be combined with those of the other component coverages, e.g. GL Premises and Operations in the CPP review for the purpose of revising the package modification factors.

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COMMERCIAL PROPERTY INSURANCE

SECTION C - SUPPORTING MATERIAL

Overview	C2-3
Loss Cost/Rate Level Histories (Tables 13 - 17).....	C4-12
Commercial Package Policy Implicit Package Modification Factors (IPMF's) and IPMF Caps (Tables 18 - 20).....	C13-17
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Credibility (Tables 33, 33A, and 34).....	C59-64

OVERVIEW

AGGREGATE LOSS COSTS AT CURRENT LEVEL

Tables 13, 14 and 15 provide the overall loss cost/rate level histories and the deductible level histories for Basic Group I, Basic Group II, and Special Causes of Loss respectively. These tables, along with Tables 16 and 17, provide information on the on-level factors needed to bring collected aggregate loss costs to current loss cost level.

Table 16 provides rate level/loss cost level histories by rating id (class vs. specific), rating group, and territory (where applicable) for Basic Group I, while Table 17 provides rate level/loss cost level histories by category for Special Causes of Loss. These tables can be used to develop on-level factors appropriate to bring collected aggregate loss costs up to current loss cost level. Factors based on these tables are more appropriate for company use than the overall factors shown on Tables 13 and 15 if the company's mix of business differs substantially from the industrywide average. For example, if a company's business is very heavily concentrated in a single class or territory, it is more appropriate to use the rate level/loss cost history for that class rather than the overall average to develop on-level factors.

Tables 18, 19 and 20 provide the current implicit package modification factors (IPMFs) and IPMF caps for Basic Group I, Basic Group II and Special Causes of Loss.

ADJUSTMENTS TO LOSSES

The loss projection factors, current cost factors, and loss trend adjustments shown on Tables 21, 22 and 23 reflect the combined impact of all economic influences on Commercial Property underwriting results and are used to project past underwriting results to future loss levels. They are intended to reflect the impact of inflation on loss payments, the impact of higher costs due to repairs done on an "emergency" basis, the impact of coinsurance and relative insurance to value on loss payments, and any other economic influences which can affect underwriting losses but for which specific provisions are not made. Losses have also been developed to their ultimate settlement value using factors shown on Table 28.

CREDIBILITY

Credibility, Z , is a weight given to the most recent body of data. The complement of credibility, $1-Z$, is the weight assigned to net trend. The final estimate is a weighted average obtained by using the formula $C = Z \times R + (1-Z) \times N$, where

Z = credibility

C = final estimate

R = estimate based on the most recent data

N = net trend

OVERVIEW (cont'd)

CREDIBILITY (cont'd)

Credibility may range from 0 to 1, where $Z=1$ is full credibility and $Z=0$ is no credibility. The actual numerical value of Z is calculated by considering how the state's volume of experience compares with the full credibility standard. Credibility is capped at 25% if the credibility calculated is less than 25%. See Tables 33, 33A, and 34 for a complete explanation of the credibility standards for Basic Group I, Basic Group II, and Special Causes of Loss.

LOSS COST/RATE LEVEL HISTORY

Loss cost/rate level histories are provided for Basic Group I, Basic Group II and Special Causes of Loss. The loss cost/rate level changes are then further split out by rating territory, rating group or category since a company's business may be more heavily concentrated in a single class. These histories can be used to develop on-level factors appropriate to bring collected aggregate loss costs up to current loss cost levels.

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TABLE 13

BASIC GROUP I

HISTORY OF STATEWIDE LOSS COST/RATE LEVEL CHANGES

LOSS COST/RATE LEVEL HISTORY				
(1)	(2)	(3)	(4)	(5)
EFFECTIVE DATE	LOSS COST/ RATE LEVEL CHANGE (%)	LOSS COST/ RATE LEVEL INDEX	ADJUSTMENT FACTOR	WEIGHT*
1993-07-15	5.3	1.053	0.515	0.466
1994-06-16	7.2	1.129	0.480	0.545
1995-05-17	2.7	1.159	0.468	0.627
1995-12-14	-1.8	1.138	0.476	0.049
1997-03-06	-8.2	1.045	0.519	0.825
1997-10-09	-10.9	0.931	0.582	0.230
1998-07-01	-4.2	0.892	0.608	0.504
1999-08-01	-11.8	0.787	0.689	0.419
2000-06-01	-16.2	0.659	0.822	0.586
2001-07-01	10.3	0.727	0.746	0.504
2002-09-01	12.7	0.820	0.661	0.334
2003-10-01	-4.9	0.779	0.696	0.252
2004-06-01	-12.4	0.683	0.794	0.585
2005-09-01	-16.0	0.574	0.944	0.334
2007-10-01	-5.5	0.542	1.000	0.252

* WEIGHT DENOTES THE PORTION OF THE EFFECTIVE YEAR FOR WHICH THE ADJUSTMENT FACTORS APPLY.

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TABLE 14

BASIC GROUP II

HISTORY OF STATEWIDE LOSS COST/RATE LEVEL CHANGES

LOSS COST/RATE LEVEL HISTORY				
(1)	(2)	(3)	(4)	(5)
EFFECTIVE DATE	LOSS COST/ RATE LEVEL CHANGE (%)	LOSS COST/ RATE LEVEL INDEX	ADJUSTMENT FACTOR	WEIGHT*
1993-07-15	1.4	1.014	0.973	0.466
1994-06-16	-4.6	0.967	1.021	0.545
1995-05-17	-3.9	0.930	1.061	0.627
1995-12-14	16.9	1.087	0.908	0.049
1997-03-06	-25.0	0.815	1.211	0.825
1997-10-09	-7.0	0.758	1.302	0.230
1998-07-01	8.6	0.823	1.199	0.504
1999-08-01	5.2	0.866	1.140	0.419
2000-06-01	5.7	0.915	1.079	0.586
2001-07-01	5.8	0.968	1.020	0.504
2002-09-01	-0.8	0.961	1.027	0.334
2003-10-01	-0.5	0.956	1.032	0.252
2004-06-01	-4.8	0.910	1.085	0.585
2005-09-01	8.3	0.986	1.001	0.334
2007-10-01	0.1	0.987	1.000	0.252

* WEIGHT DENOTES THE PORTION OF THE EFFECTIVE YEAR FOR WHICH THE ADJUSTMENT FACTORS APPLY.

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TABLE 15

SPECIAL CAUSES OF LOSS

HISTORY OF STATEWIDE LOSS COST/RATE LEVEL CHANGES

LOSS COST/RATE LEVEL HISTORY				
(1)	(2)	(3)	(4)	(5)
EFFECTIVE DATE	LOSS COST/ RATE LEVEL CHANGE (%)	LOSS COST/ RATE LEVEL INDEX	ADJUSTMENT FACTOR	WEIGHT*
1993-07-15	42.7	1.427	0.477	0.466
1994-06-16	-3.6	1.376	0.495	0.545
1995-05-17	-6.0	1.293	0.527	0.627
1995-12-14	-8.7	1.181	0.577	0.049
1997-03-06	-10.9	1.052	0.647	0.825
1997-10-09	-15.5	0.889	0.766	0.230
1998-07-01	0.1	0.890	0.765	0.504
1999-08-01	-16.0	0.747	0.912	0.419
2000-06-01	-3.2	0.723	0.942	0.586
2001-07-01	15.1	0.833	0.818	0.504
2002-09-01	-2.6	0.811	0.840	0.334
2003-10-01	-2.3	0.792	0.860	0.252
2004-06-01	-0.2	0.791	0.861	0.585
2005-09-01	-3.7	0.762	0.894	0.334
2007-10-01	-10.6	0.681	1.000	0.252

* WEIGHT DENOTES THE PORTION OF THE EFFECTIVE YEAR FOR WHICH THE ADJUSTMENT FACTORS APPLY.

EXPLANATORY NOTES TO TABLES 13, 14 AND 15

LOSS COST/RATE LEVEL HISTORIES

COLUMN (1) EFFECTIVE DATE

The effective dates of the latest loss cost/rate level changes are shown.

COLUMN (2) LOSS COST/RATE LEVEL CHANGE

The overall loss cost/rate level change is shown in percent form.

COLUMN (3) LOSS COST/RATE LEVEL INDEX

The product of all loss cost/rate level changes up to and including the loss cost/rate change for that effective date is used to calculate on level factors.

COLUMN (4) WRITTEN ADJUSTMENT (ON LEVEL) FACTORS

The factors are used to bring individual policies with inception dates prior to the effective date up to current loss cost level. For Basic Group II these are the actual factors used. However, the loss cost/rate changes for Basic Group I vary by rating group and territory (where applicable), while the loss cost/rate level changes for Special Causes of Loss vary by category. Consequently, for these coverages the on-level factors represent average factors and are not the factors actually used to adjust the aggregate loss costs on an individual policy basis. For complete loss cost/rate level histories by rating group and territory (where applicable) for Basic Group I and by category for Special Causes of Loss refer to Tables 16 and 17.

COLUMN (5) WEIGHT

The weight indicates the portion of the effective year for which the on level factors apply. These can be used to calculate average yearly factors.

ARKANSAS
TABLE 16

HISTORY OF BASIC GROUP I

LOSS COST CHANGES BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY: Entire State (Arkansas)

EFFECTIVE RATING
DATE ID

RATING GROUP

	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	17	18	19	20	21	22
07-15-1993 SPEC.	16.5	16.6	5.6	18.0	17.4	14.8	12.4	20.8	13.3	15.9	24.7	17.3	14.6	19.4	20.0	16.1	17.4	16.0	16.4	20.9	14.7
CLASS	-9.8	-9.7	-18.2	-8.6	-9.1	-11.1	-13.0	-6.4	-12.2	-10.3	-3.5	-9.2	-11.3	-7.5	-7.1	16.1	17.4	16.0	16.4	20.9	14.7
06-16-1994 SPEC.	12.9	10.1	5.2	11.0	10.8	12.2	9.3	9.7	7.3	10.1	13.6	11.6	10.4	10.9	11.8	10.3	9.7	9.3	10.1	7.3	7.6
CLASS	5.3	2.7	-1.9	3.6	3.4	4.7	1.9	2.3	0.1	2.7	5.9	4.1	3.0	3.5	4.3	10.3	9.7	9.3	10.1	7.3	7.6
05-17-1995 SPEC.	4.7	4.4	2.6	4.6	4.4	5.6	3.9	3.8	4.0	4.1	5.9	4.7	4.7	4.7	4.8	4.9	3.8	4.4	5.7	3.0	5.7
CLASS	0.2	-0.1	-1.8	0.1	-0.1	1.0	-0.6	-0.7	-0.5	-0.4	1.3	0.2	0.2	0.2	0.3	4.9	3.8	4.4	5.7	3.0	5.7
12-14-1995 SPEC.	-5.7	-6.7	-10.3	-6.7	-6.7	-3.3	-7.6	-5.8	-7.1	-7.1	-3.8	-8.6	-7.1	-8.6	-4.9	-6.5	-8.2	-7.1	-3.7	-7.6	-3.7
CLASS	7.4	6.3	2.1	6.3	6.3	10.1	5.2	7.3	5.9	5.9	9.6	4.2	5.9	4.2	8.3	-6.5	-8.2	-7.1	-3.7	-7.6	-3.7
03-06-1997 SPEC.	-13.4	-8.0	-9.4	-7.6	-8.1	-7.8	-8.4	-7.8	-10.0	-8.5	-7.3	-10.8	-7.5	-10.8	-6.8	-6.7	-8.1	-9.8	-9.0	-7.5	-6.0
CLASS	-13.1	-7.7	-9.0	-7.2	-7.8	-7.5	-8.0	-7.5	-9.7	-8.1	-6.9	-10.4	-7.1	-10.4	-6.5	-6.7	-8.1	-9.8	-9.0	-7.5	-6.0
10-09-1997 SPEC.	-19.3	-14.9	-16.8	-16.6	-16.2	-12.5	-16.8	-15.8	-16.4	-16.6	-15.2	-17.6	-16.2	-17.6	-16.0	-16.8	-16.1	-17.1	-16.8	-17.4	-16.5
CLASS	-7.9	-2.9	-5.1	-4.8	-4.4	-0.2	-5.0	-4.0	-4.7	-4.8	-3.2	-6.0	-4.4	-6.0	-4.2	-16.8	-16.1	-17.1	-16.8	-17.4	-16.5
07-01-1998 SPEC.	-11.5	-3.8	-2.1	-7.6	-5.2	1.7	-5.6	-3.5	-7.0	-6.2	-3.3	-6.7	-8.4	-6.7	-6.2	-4.4	-4.6	-5.7	-5.6	-5.2	-5.6
CLASS	-8.4	-0.5	1.3	-4.4	-1.9	5.2	-2.3	-0.2	-3.8	-3.0	0.0	-3.5	-5.2	-3.5	-3.0	-4.4	-4.6	-5.7	-5.6	-5.2	-5.6
08-01-1999 SPEC.	-8.6	-3.3	-4.1	-15.9	-12.4	-16.0	-14.7	1.7	-10.7	-9.8	-11.0	-9.6	-15.2	-9.6	-8.0	-6.7	-6.2	-9.0	-9.2	-6.1	-9.2
CLASS	-11.3	-6.2	-7.0	-18.4	-15.0	-18.5	-17.2	-1.3	-13.3	-12.5	-13.6	-12.3	-17.7	-12.3	-10.7	-6.7	-6.2	-9.0	-9.2	-6.1	-9.2
06-01-2000 SPEC.	-12.4	-10.1	-14.5	-14.9	-18.6	-26.0	-21.2	-4.2	-15.2	-14.5	-19.4	-16.5	-19.2	-16.5	-14.8	-10.9	-12.4	-15.0	-18.9	-12.6	-18.9
CLASS	-14.3	-12.0	-16.4	-16.8	-20.3	-27.6	-22.9	-6.2	-17.0	-16.4	-21.2	-18.3	-20.9	-18.3	-16.7	-10.9	-12.4	-15.0	-18.9	-12.6	-18.9
07-01-2001 SPEC.	19.9	17.2	19.1	15.2	17.1	10.8	14.0	18.1	18.5	16.4	16.4	16.1	17.0	16.1	17.1	18.6	17.3	16.3	17.3	15.1	17.3
CLASS	9.4	7.0	8.7	5.2	6.9	1.2	4.0	7.8	8.2	6.2	6.2	5.9	6.8	5.9	6.9	8.3	17.3	6.1	17.3	15.1	17.1
09-01-2002 SPEC.	18.2	19.8	17.1	10.9	20.6	20.3	16.6	17.0	15.5	17.1	20.7	15.6	12.7	15.6	16.4	21.6	22.0	18.5	22.4	21.6	22.4
CLASS	11.2	12.6	10.1	4.3	13.4	13.1	9.6	10.0	8.5	10.1	13.5	8.6	5.9	8.6	9.4	14.3	22.0	11.4	22.4	21.6	15.1
10-01-2003 SPEC.	13.8	16.6	4.7	3.9	7.5	1.1	7.1	10.4	10.0	12.1	8.7	8.7	6.4	8.7	7.1	12.0	16.4	16.6	16.6	6.2	16.6
CLASS	-10.8	-8.6	-18.0	-18.6	-15.8	-20.8	-16.0	-13.5	-13.8	-12.2	-14.8	-14.8	-16.6	-14.8	-16.0	-12.3	16.4	-8.6	16.6	6.2	16.6
06-01-2004 SPEC.	-3.9	-0.3	-11.0	-3.0	-5.7	-14.0	-6.8	4.7	-2.5	-0.8	-4.5	-5.2	-5.2	-5.2	-4.4	-2.4	-3.8	-0.6	-0.6	-5.6	-0.6
CLASS	-20.1	-17.1	-26.0	-19.3	-21.5	-28.4	-22.5	-12.9	-18.9	-17.5	-20.6	-21.1	-21.1	-21.1	-20.5	-18.8	-3.8	-17.3	-0.6	-5.6	-17.3
09-01-2005 SPEC.	-10.4	-7.5	-17.7	-14.6	-13.6	-14.7	-14.5	-12.5	-14.7	-13.1	-12.6	-13.3	-16.4	-13.3	-14.1	-13.5	-14.0	-13.4	-14.1	-12.6	-14.1
CLASS	-14.3	-11.5	-21.2	-18.3	-17.3	-18.4	-18.2	-16.2	-18.4	-16.8	-16.4	-17.1	-20.0	-17.1	-17.8	-17.2	-14.0	-17.1	-14.1	-12.6	-17.8
10-01-2007 SPEC.	-12.7	-11.2	-13.2	-11.8	-10.5	-9.1	-11.1	-10.8	-13.5	-11.5	-11.0	-11.8	-12.9	-11.8	-12.8	-11.0	-13.1	-12.0	-12.2	-10.4	-12.2
CLASS	-0.6	1.1	-1.2	0.4	1.9	3.5	1.3	1.6	-1.6	0.8	1.4	0.4	-0.9	0.4	-0.7	1.4	-13.1	0.2	-12.2	-10.4	-0.1

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EXPLANATORY NOTES TO TABLE 16

HISTORY OF BASIC GROUP I LOSS COST/RATE CHANGES
BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY

The loss cost/rate level changes shown apply to the rating territory shown here.

EFFECTIVE DATE

The effective dates of the latest loss cost/rate level changes are shown.

LOSS COST/RATE LEVEL CHANGES

Loss cost/rate level changes are shown in percent form for each rating group.

ARKANSAS
TABLE 17

SPECIAL CAUSES OF LOSS

HISTORY OF LOSS COST/RATE LEVEL CHANGES BY CATEGORY

(1) EFFECTIVE DATE	(2) CATEGORY				
	01	02	03	04	05
05-17-1995	-2.0	-10.7	-6.2	-8.7	-12.3
12-14-1995	-5.5	-13.0	-9.4	-13.7	-9.3
03-06-1997	-9.5	-20.0	-12.0	-8.6	-18.5
10-09-1997	-16.9	-22.7	-13.8	-13.2	-13.6
07-01-1998	11.7	-4.8	0.4	-13.4	-9.7
08-01-1999	-11.5	-18.6	-17.1	-19.3	-27.8
06-01-2000	-3.9	-4.6	0.6	3.8	-12.1
07-01-2001	17.7	13.9	22.4	4.7	13.8
09-01-2002	-0.8	-4.0	2.8	-11.1	-4.0
10-01-2003	-2.3	-2.5	3.4	-8.3	1.6
06-01-2004	0.9	-4.3	2.6	-7.8	0.3
09-01-2005	-3.2	-6.7	1.8	-8.2	-4.2
10-01-2007	-11.6	-11.9	-6.9	-8.3	-5.7

EXPLANATORY NOTES TO TABLE 17

HISTORY OF SPECIAL CAUSES OF LOSS
COST/RATE LEVEL CHANGES BY CATEGORY

COLUMN (1)

EFFECTIVE DATE

The effective dates of the latest loss cost/rate level changes are shown.

COLUMN (2)

LOSS COST/RATE LEVEL CHANGES BY CATEGORY

Loss cost/rate changes are shown in percent form for each category.

COMMERCIAL PACKAGE POLICY IMPLICIT PACKAGE MODIFICATION FACTORS (IPMF's)
AND IPMF CAPS

IMPLICIT PACKAGE
MODIFICATION
FACTORS

Since multiline experience is included in the loss cost level evaluations, an additional adjustment is made to multiline aggregate loss costs after they have been brought to current ISO loss cost level. This adjustment is the application of implicit CPP package modification factors which vary for each of the eight CPP types of policy.

The loss costs used to price a Commercial Package Policy (CPP) are the monoline loss costs multiplied by the PMF to reflect the package policy discount for the particular type of CPP policy relative to the individual monoline policies. However, these PMF's measure the amount of multiline discount for all property coverages combined. A more accurate measure of the amount of multiline discount for each subline (e.g., Basic Group I, Basic Group II, or Special Causes of Loss) is the implicit package modification factor that was used to calculate the overall PMF for all property coverages combined.

For example, the published PMF for Apartments (all property coverages combined) may be .85, but the implicit PMF for Apartments, Commercial Basic Group I coverage only, may be .80. The average of the implicit PMF's for the various coverages is equal to the published PMF for each type of policy.

The current IPMF's by coverage for each CPP type of policy are applied to multiline aggregate loss costs at current level for Basic Group I, Basic Group II and Special Causes of Loss.

IPMF CAPS

For Basic Group I, Basic Group II, and Special Causes of Loss, the IPMF's lower caps are set at 0.50 and the upper caps are set at 1.50 for all TOP's.

ARKANSAS
TABLE 18
BASIC GROUP I IMPLICIT PACKAGE
MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

CPP IMPLICIT PACKAGE MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

TOP	DESCRIPTION	IPMF	LOW CAP	HIGH CAP
31	MOTEL/HOTEL	0.975	0.500	1.500
32	APARTMENT	1.104	0.500	1.500
33	OFFICE	0.882	0.500	1.500
34	MERCANTILE	1.124	0.500	1.500
35	INSTITUTIONAL	1.271	0.500	1.500
36	SERVICES	1.202	0.500	1.500
37	INDUST/PROCESSING	0.771	0.500	1.500
38	CONTRACTORS	1.030	0.500	1.500

ARKANSAS
TABLE 19
BASIC GROUP II IMPLICIT PACKAGE
MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

CPP IMPLICIT PACKAGE MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

TOP	DESCRIPTION	IPMF	LOW CAP	HIGH CAP

31	MOTEL/HOTEL	1.065	0.500	1.500
32	APARTMENT	0.782	0.500	1.500
33	OFFICE	0.544	0.500	1.500
34	MERCANTILE	0.885	0.500	1.500
35	INSTITUTIONAL	0.661	0.500	1.500
36	SERVICES	0.776	0.500	1.500
37	INDUST/PROCESSING	0.670	0.500	1.500
38	CONTRACTORS	0.891	0.500	1.500

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ARKANSAS
TABLE 20
SPECIAL CAUSES OF LOSS IMPLICIT PACKAGE
MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

CPP IMPLICIT PACKAGE MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

TOP	DESCRIPTION	IPMF	LOW CAP	HIGH CAP

31	MOTEL/HOTEL	0.966	0.500	1.500
32	APARTMENT	1.375	0.500	1.500
33	OFFICE	0.845	0.500	1.500
34	MERCANTILE	0.885	0.500	1.500
35	INSTITUTIONAL	0.706	0.500	1.500
36	SERVICES	1.120	0.500	1.500
37	INDUST/PROCESSING	1.030	0.500	1.500
38	CONTRACTORS	1.226	0.500	1.500

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EXPLANATORY NOTES TO TABLES 18, 19, AND 20

IMPLICIT PACKAGE MODIFICATION
FACTORS (IPMF's) AND IPMF CAPS

TABLES 18, 19,
AND 20

These tables provide the current IPMF's and IPMF caps for Basic Group I, Basic Group II, and Special Causes of Loss. The IPMF's shown here are those which resulted from the most recent CPP revision. The IPMF lower caps are set at .50 and the upper caps are set at 1.50 for all TOP's.

TREND PROCEDURE

INTRODUCTION

The prospective loss cost levels established in this document reflect the anticipated claim cost and claim frequency levels and changes in revenue due to increased amounts of insurance purchased for the period that the new loss costs are assumed to be in effect.

LOSS TREND

EXTERNAL LOSS DATA

For Commercial Property, the loss trend factors are referred to as current cost factors (CCF's) and loss projection factors (LPF's). These CCF's and LPF's are based on the following accepted economic indices:

1. Boeckh Index (BKH) for buildings factors
2. Producer Price Index (PPI) published by the US Department of Labor (Finished Goods Less Energy, Not Seasonally Adjusted) for contents factors
3. Index for Manufacturers' Sales Exposure (IMSEP) developed by ISO using indices published by the Department of Commerce and Implicit Price Deflator for Retail Sales (RSALES) produced by the Bureau of the Census, Bureau of Economic Analysis for time element factors

The CCF's adjust losses for actual inflationary changes which have taken place between the accident date and the midpoint of the latest period of external trend information, i.e. December 1, 2007 for property damage and November 15, 2007 for time element. The LPF's adjust losses for projected inflationary changes from the midpoint of the latest period of external trend information to the anticipated average date of accident for policies written under the proposed loss costs (assumed to be 12 months after the assumed revision date based on all one-year policies).

The CCF's and LPF's are calculated separately for buildings, contents, and time element coverages. For coverage 3 (buildings and contents on a combined basis), combined trend factors are calculated using the following weights for BKH/PPI: 70%/30% for Basic Group I, 75%/25% for Basic Group II, and 50%/50% for Special Causes of Loss. For time element (coverages 4-9) the combined trend factors are calculated using 70%/30% weights for RSALES/IMSEP. The factors are applied by coverage to the losses reported under CSP and CMSP on an individual occurrence basis.

TREND PROCEDURE (cont'd)

LOSS TREND (cont'd)

LOSS TREND ADJUSTMENT - SEVERITY

An evaluation of the latest Commercial Property insurance data shows that the cost levels inherent in the property damage coverages are increasing at a different rate than those measured by the external indices. Therefore, to insure adequate prospective loss cost levels during the period for which loss costs are to be determined, loss trend adjustments (LTA's) have been applied. These factors were developed by comparing the annual rate of change in average claim costs to the annual rate of change in the external indices. (Refer to Table 23 for the calculations.)

LOSS TREND ADJUSTMENT - FREQUENCY

In order to reflect total trend more precisely, a frequency component is included in the loss trend adjustment factors (LTA's) separately for buildings and contents for Basic Group I and contents only for Special Causes of Loss. No frequency component is used for Basic Group II and Special Causes of Loss buildings due to the extremely volatile nature of the coverages.

AMOUNT-OF- INSURANCE TREND

Cost changes over time to both real and personal property result in insureds purchasing increased amounts of insurance. To reflect the impact of this phenomenon, amount of insurance trend factors are applied to collected loss costs to bring them to prospective amount of insurance levels. These factors are developed by measuring amount of insurance trends on a sample of renewal policies.

The application and development of these factors parallels loss trend factors in that separate factors are developed for buildings, contents, and time element, and the adjustment to prospective amount of insurance levels is done in two steps. The current written factors adjust loss costs to the amount of insurance level for the midpoint of the latest period of renewal information, i.e. July 1, 2007. Total amount of insurance trend factors are then calculated by projecting these current factors to the average date of writing (i.e. to the amount of insurance level six months beyond the assumed effective date).

TABLE 21

Development of Current Cost Factors and Loss Projection Factors
For Commercial Property Building and Contents Experience
 Period ending December 31, 2007

Part A: Bimonthly Boeckh and Producer Price Indices

Building -Boeckh Index (BKH) (Base:1977 =100.0)^(a)
 Contents - Producer Price Index (PPI) - U.S. Department of Labor
 (Finished Goods Less Energy) (Base: 1977 = 100.0)

Time Period	BKH	PPI	Time Period	BKH	PPI
1-2/2005	295.1	226.2	7-8/2006	316.8	229.4
3-4/2005	296.9	227.1	9-10/2006	323.8	230.9
5-6/2005	298.8	227.2	11-12/2006	327.2	232.7
7-8/2005	300.7	226.5	1-2/2007	329.1	234.7
9-10/2005	302.3	227.8	3-4/2007	329.0	236.4
11-12/2005	305.3	228.6	5-6/2007	330.2	236.7
1-2/2006	307.9	229.1	7-8/2007	332.6	236.8
3-4/2006	311.4	229.2	9-10/2007	335.5	238.7
5-6/2006	314.7	229.6	11-12/2007	337.9	240.7

Part B: Computation of Loss Projection Factor (LPF) for Buildings based on 18 points

$$\text{Annual Rate of Change} = 0.0526 = 5.3\%$$

$$R^2 = 0.983$$

$$\text{Loss Projection Factor for Buildings} = 1.0526^{22/12 (b)} = 1.0985$$

Part C: Computation of Loss Projection Factor (LPF) for Contents based on 18 points

$$\text{Annual Rate of Change} = 0.0215 = 2.2\%$$

$$R^2 = 0.922$$

$$\text{Loss Projection Factor for Contents} = 1.0215^{22/12 (b)} = 1.0398$$

- (a) 35% Weight to Apartments, Hotels and Office Building Index and 65% weight to Commercial and Factory Building Index. Further use of the figures derived from the Boeckh Index requires the prior written consent of ISO.
- (b) Assuming a rate or loss cost revision date of October 1, 2008, and all one year policies, the time interval between the midpoint of the latest period (12/1/2007) and the average date of accident (10/1/2009) would be 22 months.

TABLE 21

Development of Current Cost Factors and Loss Projection Factors

Part D: Calculation of Current Cost Factors (CCF)

Year	Calendar Year		Current Cost Factors Based on	
	Averages		Average Index Values for	
	BKH	PPI	Period ending December 31, 2007	
			<u>Buildings</u>	<u>Contents</u>
1992	204.3	191.1	$337.9 / 204.3 = 1.654$	$240.7 / 191.1 = 1.260$
1993	209.7	193.8	$337.9 / 209.7 = 1.611$	$240.7 / 193.8 = 1.242$
1994	215.9	195.6	$337.9 / 215.9 = 1.565$	$240.7 / 195.6 = 1.231$
1995	221.8	199.5	$337.9 / 221.8 = 1.523$	$240.7 / 199.5 = 1.207$
1996	226.4	203.5	$337.9 / 226.4 = 1.492$	$240.7 / 203.5 = 1.183$
1997	233.7	204.4	$337.9 / 233.7 = 1.446$	$240.7 / 204.4 = 1.178$
1998	237.8	205.7	$337.9 / 237.8 = 1.421$	$240.7 / 205.7 = 1.170$
1999	241.3	208.4	$337.9 / 241.3 = 1.400$	$240.7 / 208.4 = 1.155$
2000	246.1	211.3	$337.9 / 246.1 = 1.373$	$240.7 / 211.3 = 1.139$
2001	249.6	215.1	$337.9 / 249.6 = 1.354$	$240.7 / 215.1 = 1.119$
2002	256.8	214.8	$337.9 / 256.8 = 1.316$	$240.7 / 214.8 = 1.121$
2003	263.1	217.3	$337.9 / 263.1 = 1.284$	$240.7 / 217.3 = 1.108$
2004	279.2	222.2	$337.9 / 279.2 = 1.210$	$240.7 / 222.2 = 1.083$
2005	299.9	227.2	$337.9 / 299.9 = 1.127$	$240.7 / 227.2 = 1.059$
2006	317.0	230.2	$337.9 / 317.0 = 1.066$	$240.7 / 230.2 = 1.046$
2007	332.4	237.3	$337.9 / 332.4 = 1.017$	$240.7 / 237.3 = 1.014$

Note: Further use of the figures derived from the Boeckh Index requires the prior written consent of ISO.

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TABLE 21

Development of Current Cost Factors and Loss Projection Factors
For Commercial Property Time Element Experience
 Period ending December 31, 2007

Part A: Quarterly IMSEP and RSALES Indices

Time Element Index - Weighted average of IMSEP and RSALES indices
 with 30% weight for IMSEP and 70% weight for RSALES

<u>Time</u> <u>Period</u>	<u>IMSEP</u>	<u>RSALES</u>	<u>Combined</u> <u>Index</u>	<u>Time</u> <u>Period</u>	<u>IMSEP</u>	<u>RSALES</u>	<u>Combined</u> <u>Index</u>
1-3/2005	1.054	1.009	1.023	7-9/2006	1.083	1.033	1.048
4-6/2005	1.056	1.016	1.028	10-12/2006	1.083	1.018	1.038
7-9/2005	1.063	1.024	1.036	1-3/2007	1.091	1.023	1.043
10-12/2005	1.067	1.024	1.037	4-6/2007	1.094	1.033	1.051
1-3/2006	1.074	1.023	1.038	7-9/2007	1.089	1.032	1.049
4-6/2006	1.082	1.032	1.047	10-12/2007	1.088	1.037	1.052

Part B: Computation of Loss Projection Factor (LPF) for Time Element Based on 12 points

$$\text{Annual Rate of Change} = 0.0087 = 0.9\%$$

$$R^2 = 0.783$$

$$\text{Loss Projection Factor for Time Element} = 1.0087^{22.5/12(a)} = 1.0164$$

- (a) Assuming a loss cost revision date of October 1, 2008, and all one year policies, the time interval between the midpoint of the latest period (11/15/2007) and the average date of accident (10/1/2009) would be 22.5 months.

TABLE 21

Development of Current Cost Factors and Loss Projection Factors

Part C: Calculation of Current Cost Factors (CCF)

Calendar Year		Time Element
<u>Averages</u>		Current Cost Factors Based on
	Combined	Average Index Values for
<u>Year</u>	<u>Index</u>	<u>Period ending December 31, 2007</u>
1996	0.982	$1.052 / 0.982 = 1.071$
1997	0.987	$1.052 / 0.987 = 1.066$
1998	0.980	$1.052 / 0.980 = 1.073$
1999	0.985	$1.052 / 0.985 = 1.068$
2000	1.000	$1.052 / 1.000 = 1.052$
2001	1.005	$1.052 / 1.005 = 1.047$
2002	0.999	$1.052 / 0.999 = 1.053$
2003	0.998	$1.052 / 0.998 = 1.054$
2004	1.012	$1.052 / 1.012 = 1.040$
2005	1.031	$1.052 / 1.031 = 1.020$
2006	1.043	$1.052 / 1.043 = 1.009$
2007	1.049	$1.052 / 1.049 = 1.003$

EXPLANATORY NOTES TO TABLE 21

PART A: BOECKH, PRODUCER PRICE, IMSEP, AND RSALES INDICES

TIME PERIOD	The time period denotes the period for which the indices shown apply. It is a bimonthly period for BKH and PPI and quarterly period for IMSEP and RSALES.
BOECKH INDEX (BKH)	The Boeckh Index is a time series which measures the construction cost of new commercial buildings and factories relative to the cost for an earlier point in time (which is denoted the base and is currently 1977 for Commercial Property). It is actually a composite index of the Apartments, Hotels, and Office Building Index; and the Commercial and Factory Index where the two component indices are weighted 35%-65% respectively. Further use of the figures derived from the Boeckh index requires the prior written consent of ISO.
PRODUCER PRICE INDEX (PPI)	The Producer Price Index is a time series which measures the price level for a predetermined group of goods produced in all stages of processing relative to the price level for an earlier point in time (also 1977). The PPI Finished Goods Less Energy is published by the U.S. Department of Labor.
PRICE DEFLATOR INDEX FOR MANUFACTURERS' SALES EXPOSURE (IMSEP)	<p>Price deflator index for manufacturers' sales exposure is a quarter's model of Manufacturers' Sales Exposure Proxy (MSEP) for the period in question relative to MSEP measured in chained 2000 dollars. The price deflator is defined to be GNP (Gross National Product) price deflator with all services, government expenditures, and inventory changes removed.</p> <p>$MSEP = (CD + CN) + (EXD\&N - IMD\&N) + IFIX$,</p> <p>where CD and CN represent consumption of durables and nondurables, respectively; EXD&N and IMD&N represent exports and imports of merchandise, respectively; and IFIX represents gross private domestic fixed investment (includes construction and producers' durables for residential and nonresidential investment).</p>
IMPLICIT PRICE DEFLATOR FOR RETAIL SALES INDEX (RSALES)	The Implicit Price Deflator for Retail Sales measures changes in losses due solely to inflation.

PARTS B AND C: COMPUTATION OF THE LOSS PROJECTION FACTOR

LOSS PROJECTION FACTOR	The loss projection factor is calculated by fitting a least squares exponential curve to the appropriate number of points (where the appropriate number of points is determined based on judgment and an examination of the goodness of fit as determined by the R-squared values subject to a maximum of 18 bi-monthly points for property damage and 12 quarterly points for time element).
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EXPLANATORY NOTES TO TABLE 21 (cont'd)

PARTS B AND C: COMPUTATION OF THE LOSS PROJECTION FACTOR (cont'd)

LOSS PROJECTION
FACTOR (cont'd)

The table displays the indices for those points used in fitting the curve. The relevant equations are shown and the annual rate of change in the indices based on the exponential fit is developed. This annual rate of change is projected over the period which extends from the latest period of cost information to the average accident date of the projection period.

PART D: CALCULATION OF CURRENT COST FACTORS (CCF'S)

CALENDAR YEAR
AVERAGES

The calendar year averages are the averages of the bi-monthly indices (BKH and PPI) and the averages of the quarterly indices (IMSEP and RSALES) for the given year. These measure the average cost level of each year relative to the base year.

CURRENT COST
FACTORS

The current cost factors are the ratios of the indices for the latest period of cost information divided by the average indices for each calendar year. These factors measure the changes in cost levels which have occurred from the midpoint of the given year to the latest point of cost information. In this regard, they represent average factors which would result if each year's losses were distributed evenly throughout the year.

Since losses are trended on a record by record basis, these calendar year factors are not actually used in ISO's trend calculations. Instead, factors are calculated from the bi-monthly or quarterly indices and applied to the unit losses based on the date of occurrence.

TABLE 22

SUMMARY OF LOSS TREND ADJUSTMENTS (LTA'S)

<u>BUILDINGS</u>	<u>5 YEAR INCURRED LOSSES</u>	<u>LTA'S*</u>
BASIC GROUP I	2,682,652,007	-3.7
BASIC GROUP II	1,066,853,942	-0.4
SPECIAL CAUSES OF LOSS	1,059,374,567	-1.2
TOTAL	4,808,880,516	-2.4
 <u>CONTENTS</u>		
BASIC GROUP I	993,154,059	-1.5
BASIC GROUP II	163,007,906	1.1
SPECIAL CAUSES OF LOSS	709,507,605	-2.0
TOTAL	1,865,669,570	-1.5
 <u>TIME ELEMENT</u>		
BASIC GROUP I	292,475,348	3.4
BASIC GROUP II	44,899,997	3.5
SPECIAL CAUSES OF LOSS	110,136,728	3.4
TOTAL	447,512,073	3.4
 GRAND TOTAL	 7,122,062,159	 -1.8

* The LTA's are based on internal severity and frequency data. They apply to both the historical period and projection period.

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EXPLANATORY NOTES TO TABLE 22

SUMMARY OF LOSS TREND ADJUSTMENTS (LTA'S)

COLUMN (1)

COVERAGE

The LTA's vary by coverage (buildings, contents, and time element) and line of business (BG I, BG II, and SCL).

COLUMN (2)

FIVE-YEAR INCURRED LOSSES

The five-year multistate incurred losses are used as weights to determine the annual LTA for all lines of business and coverages combined.

COLUMN (3)

ANNUAL LTA's

The LTA's are the factors which are applied to losses to supplement the external indices in order to correctly reflect cost level and claim frequency changes. These are shown here as annual factors. However, they are applied over the entire length of the trend period, i.e. from the date of loss occurrence to the anticipated average accident date under the revised loss costs. The severity portion of the LTA is applied on an individual record basis in the same manner as the CCF's and LPF's. The frequency portion of the LTA is applied to the aggregate losses.

OVERVIEW

DEVELOPMENT OF LOSS TREND ADJUSTMENTS

INTRODUCTION

In order to supplement the external indices reflected in CCF's and LPF's, loss trend adjustments (LTA's) have been developed based on internal loss data. This is necessary because the external indices alone have been insufficient in reflecting cost level and claim frequency changes in Commercial Property Insurance. The following tables show the calculations used to develop these LTA's. Please note the development of the LTA's for the 2008 COMFAL reviews is based on internal commercial property experience through 12/31/2006 and external cost indices through 12/31/2006. Therefore, the CCF's and LPF's shown on Table 23 will not necessarily match those shown on Table 21. ISO has determined that the selected LTAs are appropriate to be used with the latest external indices shown on Table 21.

TABLE 23
DEVELOPMENT OF LTA'S

I. EXTERNAL RATE OF CHANGE^a

Calendar Year	(1) Buildings Current Cost Factor	(2) Contents Current Cost Factor	(3) Time Element Cost Factor	(4) Basic Group I (BGI)& Special Causes of Loss (SCL) Weights	(5) Basic Group II (BGII) Weights
1997	1.400	1.138	1.052		0.10
1998	1.376	1.131	1.059		0.10
1999	1.356	1.117	1.054		0.10
2000	1.330	1.101	1.038		0.10
2001	1.311	1.082	1.033		0.10
2002	1.274	1.083	1.039	0.10	0.10
2003	1.244	1.071	1.040	0.15	0.10
2004	1.172	1.047	1.026	0.20	0.10
2005	1.091	1.024	1.007	0.25	0.10
2006	1.032	1.011	0.995	0.30	0.10

(6) AVERAGE CURRENT COST FACTORS

Basic Group I and Special Causes of Loss (Weighted on Column (4))
Basic Group II (Weighted on Column (5))

Buildings	Contents	Time Element
1.131	1.038	1.015
1.259	1.081	1.034

(7) LOSS PROJECTION FACTORS

Annual Rate of Change
Loss Projection Factor:^b $(1.0 + \text{Annual Rate of Change})^{(X/12)}$

Buildings	Contents	Time Element
0.067	0.018	0.014
1.181	1.047	1.038

(8) TOTAL TREND FACTOR

(Average Current Cost Factor × Loss Projection Factor)

Basic Group I and Special Causes of Loss
Basic Group II

Buildings	Contents	Time Element
1.336	1.087	1.054
1.487	1.132	1.073

(9) EXTERNAL ANNUAL RATE OF CHANGE^c

Basic Group I and Special Causes of Loss: $(\text{Total Trend Factor})^{12/54}$
Basic Group II: $(\text{Total Trend Factor})^{12/90}$

Buildings	Contents	Time Element
1.066	1.019	1.012
1.054	1.017	1.009

- (a) The Current Cost Factors and Loss Projection Factors on this exhibit are based on external economic indices through December 31, 2006 for Buildings, Contents and Time Element.
- (b) Assuming a loss cost revision date of July 1, 2008, the time interval between the midpoint of the latest period of external trend information (December 1, 2006 for Buildings and Contents and November 15, 2006 for Time Element) and the prospective average date of loss (July 1, 2009) is 31 months for Buildings and Contents and 31.5 months for Time Element.
- (c) The time interval from the weighted midpoint of the experience period to the prospective average date of loss (July 1, 2009) is 54 months for BGI and SCL, and 90 months for BGII. The weighted midpoint is January 1, 2005 for BGI and SCL, and January 1, 2002 for BGII.

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TABLE 23
DEVELOPMENT OF LTA'S

II. INTERNAL ANNUAL RATES OF CHANGE:

(10) SELECTED COMFAL

	Buildings	Contents	Time Element
Basic Group I (BGI)	1.040	1.040	1.080
Basic Group II (BGII)	1.045	1.040	1.080
Special Causes of Loss	1.040	1.030	1.080

III. LTA CALCULATION:

CALCULATION OF LTAs - BUILDINGS

	(11) External Rate of Change ^d	(12) Internal Rate of Change	(13) Indicated Severity LTA [(12)/(11)-1.0]	(14) Formula Severity LTA ^e	(15) Frequency Effect	(16) Final LTA ^f
Basic Group I (BGI)	1.066	1.040	-2.4	-1.2	-2.5	-3.7
Basic Group II (BGII)	1.054	1.045	-0.9	-0.4	0.0	-0.4
Special Causes of Loss	1.066	1.040	-2.4	-1.2	0.0	-1.2

CALCULATION OF LTAs - CONTENTS

	(11) External Rate of Change ^d	(12) Internal Rate of Change	(13) Indicated Severity LTA [(12)/(11)-1.0]	(14) Formula Severity LTA ^e	(15) Frequency Effect	(16) Final LTA ^f
Basic Group I (BGI)	1.019	1.040	2.1	1.0	-2.5	-1.5
Basic Group II (BGII)	1.017	1.040	2.3	1.1	0.0	1.1
Special Causes of Loss	1.019	1.030	1.1	0.5	-2.5	-2.0

CALCULATION OF LTAs - TIME ELEMENT

	(11) External Rate of Change ^d	(12) Internal Rate of Change	(13) Indicated Severity LTA [(12)/(11)-1.0]	(14) Formula Severity LTA ^e	(15) Frequency Effect	(16) Final LTA ^f
Basic Group I (BGI)	1.012	1.080	6.7	3.4	0.0	3.4
Basic Group II (BGII)	1.009	1.080	7.0	3.5	0.0	3.5
Special Causes of Loss	1.012	1.080	6.7	3.4	0.0	3.4

(d) The external rates of change are based on external economic indices through December 31, 2006 for Buildings, Contents and Time Element.

(e) The formula severity LTA for Buildings, Contents and Time Element is calculated as one-half of the indicated severity LTA. This is equivalent to calculating the overall severity trend giving 50% weight to the external trend and 50% weight to the selected internal trend.

(f) The final LTA is calculated as the product (in factor form) of the formula severity LTA and frequency effect.

EXPLANATORY NOTES TO TABLE 23

DEVELOPMENT OF LOSS TREND ADJUSTMENTS (LTA'S)

I. EXTERNAL RATE OF CHANGE

COLUMN (1), (2)
AND (3)

CURRENT COST FACTORS

The CCF's underlying the LTA analysis are based on external cost indices through 12/31/2006 for buildings, contents and time element.

COLUMNS (4)
AND (5)

WEIGHTS

The standard review weights are shown for each line of business.

LINES (6)

AVERAGE CURRENT COST FACTORS

The average CCF's for the experience period are calculated based on the weights shown in columns (4) and (5).

LINE (7)

LOSS PROJECTION FACTORS

The LPF's underlying the LTA analysis are shown here.

LINE (8)

TOTAL TREND

The total trend is the product of the average CCF and the LPF.

LINE (9)

EXTERNAL ANNUAL RATE OF CHANGE

The total trend is converted to an annual basis by raising it to the reciprocal of the number of years between the weighted midpoint of the experience period and the anticipated average accident date. For BG I and SCL the weighted midpoint of the experience period is 1/1/2005, for BG II it is 1/1/2002. Accordingly, there are 54 and 90 months, respectively, to the anticipated average accident date of 7/1/2009.

II. INTERNAL ANNUAL RATES OF CHANGES

LINE (10)

SELECTED COMFAL

The displayed annual rates of change in the average claim costs for BG I, BG II, and SCL were selected based on several least squares exponential fits of the annual claim costs for each subline. This was done to the most recent ten years of Commercial Property data using all companies in the ratemaking data base.

EXPLANATORY NOTES TO TABLE 23 (cont'd)

III. LTA CALCULATION

COLUMN (11)

ANNUAL EXTERNAL

The annual external rates of change from column (9) are shown here.

COLUMN (12)

ANNUAL INTERNAL

The adjusted annual internal rates of change in average loss from line (10) are shown here.

COLUMN (13)

INDICATED SEVERITY LTA

The indicated severity LTA's are calculated by dividing the annual internal rates of change by the annual external rates of change.

COLUMN (14)

FORMULA SEVERITY LTA

The severity LTA's in column (13) are then selected to temper the full effect of internal trend data. Without such tempering, full weight would in effect be given to the internal data without any consideration of the external cost indices.

COLUMN (15)

FREQUENCY EFFECT

The displayed annual rates of change in claim frequency for BG I and SCL were selected based on several least squares exponential fits of the claim frequency by subline. No frequency trend was selected for BG II and SCL buildings due to the extremely volatile nature of the coverage.

COLUMN (16)

FINAL LTA

The final LTA is the combination of the severity and frequency trend adjustments, calculated as column (14) times column (15), in factor form.

TABLE 24

EXPOSURE TREND
DEVELOPMENT OF CURRENT AND PROJECTED EARNED EXPOSURE FACTORS

Year	Buildings				Contents			
	(1) ^a Annual Written Increase	(2) ^a 07-01-2007 Written Factors	(3) ^b 04-01-2009 Projected Factors	(4) ^c 04-01-2009 Earned Factors	(5) ^a Annual Written Increase	(6) ^a 07-01-2007 Written Factors	(7) ^b 04-01-2009 Projected Factors	(8) ^c 04-01-2009 Earned Factors
1995	2.6%	1.408	1.508		2.5%	1.299	1.349	
1996	2.5%	1.374	1.472		2.6%	1.266	1.315	
1997	2.2%	1.344	1.439	1.481	2.2%	1.239	1.287	1.324
1998	2.2%	1.315	1.408	1.447	2.2%	1.212	1.259	1.294
1999	2.1%	1.288	1.380	1.416	2.1%	1.187	1.233	1.266
2000	2.6%	1.255	1.344	1.387	2.1%	1.163	1.208	1.240
2001	2.9%	1.220	1.307	1.353	2.2%	1.138	1.182	1.214
2002	3.0%	1.184	1.268	1.316	2.3%	1.112	1.155	1.188
2003	2.8%	1.152	1.234	1.278	2.2%	1.088	1.130	1.162
2004	3.1%	1.117	1.196	1.242	2.2%	1.065	1.106	1.136
2005	3.4%	1.080	1.157	1.205	2.1%	1.043	1.083	1.112
2006	3.8%	1.040	1.114	1.167	2.1%	1.022	1.062	1.089
2007	4.0%	1.000	1.071	1.125	2.2%	1.000	1.039	1.067

Notes

- a The percentages in columns (1) and (5) represent the change in written exposures from 07/01/n-1 to 07/01/n. Columns (2) and (6) contain the cumulative changes in written exposures for each year relative to the latest year.
- b The selected average annual changes in Amount of Insurance for projection purposes are 4.0% and 2.2% for Buildings and Contents, respectively. Consequently, the written factors at 07/01/2007 levels in column (2) and column (6) are brought to the level of the average date of writing in the effective period, 04/01/2009 (i.e., 6 months beyond an assumed revision date of 10/01/2008), by applying a factor of $(1.040)^{21/12}$ for Buildings and $(1.022)^{21/12}$ for Contents.
- c Written factors are earned into each accident year ending 03/31 using the following factors which assume all one year policies:

Earning Factors	
Year	All Years
n-2	9/32
n-1	22/32
n	1/32

For example, the factors used to adjust earned premium for the period from 04/01/2006 to 03/31/2007 to the projected level are 1.125 for Buildings and 1.067 for Contents.

TABLE 24 (cont'd)

EXPOSURE TREND
DEVELOPMENT OF CURRENT AND PROJECTED EARNED EXPOSURE FACTORS

Year	Time Element			
	(1) ^a Annual Written <u>Increase</u>	(2) ^a 07-01-2007 Written <u>Factors</u>	(3) ^b 04-01-2009 Projected <u>Factors</u>	(4) ^c 04-01-2009 Earned <u>Factors</u>
1995	1.3%	1.149	1.177	
1996	1.2%	1.135	1.163	
1997	1.2%	1.122	1.150	1.167
1998	1.1%	1.110	1.137	1.153
1999	1.0%	1.099	1.126	1.140
2000	1.0%	1.088	1.115	1.129
2001	1.0%	1.077	1.104	1.118
2002	1.1%	1.065	1.091	1.107
2003	1.1%	1.053	1.079	1.094
2004	1.2%	1.041	1.067	1.082
2005	1.3%	1.028	1.053	1.070
2006	1.4%	1.014	1.039	1.057
2007	1.4%	1.000	1.025	1.043

Notes

- a The percentage in column (1) represents the change in written exposures from 07/01/n-1 to 07/01/n. Column (2) is the cumulative change in written exposures for each year relative to the latest year.
- b The selected average annual change in Net Income (Time Element exposure) for projection purposes is 1.4%. Consequently, the written factors at 07/01/2007 levels in column (2) are brought to the level of the average date of writing in the effective period, 04/01/2009 (i.e., 6 months beyond an assumed revision date of 10/01/2008) by applying a factor of $(1.014)^{21/12}$ for Time Element.
- c Written factors are earned into each accident year ending 03/31 using the following factors which assume all one year policies:

Earning Factors	
<u>Year</u>	<u>All Years</u>
n-2	9/32
n-1	22/32
n	1/32

For example, the factor used to adjust earned premium for the period from 04/01/2006 to 03/31/2007 to the projected level is 1.043.

EXPLANATORY NOTES TO TABLE 24
EXPOSURE TREND FACTORS

COLUMNS (1)
AND (5)

ANNUAL WRITTEN INCREASE

The annual written increases for 1995 through 2007 for buildings, contents, and time element are calculated from the actual changes in amount of insurance from one year to the next for a sample of renewal policies (based on BG I experience). The change in amount of insurance for each policy in the sample was weighted with its prior year's premiums to obtain a weighted average change for each year.

COLUMNS (2)
AND (6)

07-01-2007 WRITTEN FACTORS

The written factors for a given year are the product of the written annual changes for all years subsequent to that year. Although the 2007 written changes are based on two quarters of data, the consistency of this experience allows for the assumption that written changes for the first half of 2007 are applicable for the entire year.

COLUMNS (3)
AND (7)

04-01-2009 PROJECTED FACTORS

The 04-01-2009 factors are calculated by applying a factor to adjust the 07-01-2007 written factors to the amount of insurance level at the average date of writing, 04-01-2009. This is done using the selected annual changes in the amount of insurance (4.0% for buildings, 2.2% for contents, and 1.4% for time element). Therefore, the factors to bring 07-01-2007 factors to the 04-01-2009 level are:

$1.040^{(21 + 12)}$ for buildings;
 $1.022^{(21 + 12)}$ for contents;
 $1.014^{(21 + 12)}$ for time element.

COLUMNS (4)
AND (8)

04-01-2009 EARNED EXPOSURE FACTORS

The projected earned exposure factors at the 04-01-2009 amount of insurance level (where 04-01-2009 is the average date of writing in the effective period) are calculated by earning the written factors assuming all one-year policies. The earning factors are shown in footnote (c).

ARKANSAS
TABLE 25

BASIC GROUP I

ADDITIONAL INFORMATION ON TREND ADJUSTMENTS

YEAR	(1) UNADJUSTED INCURRED LOSSES	(2) TRENDED INCURRED LOSSES	(3) AVERAGE TOTAL LOSS TREND FACTOR (2) / (1)	(4) SPLIT %		
				BUILDINGS	CONTENTS	TIME ELEMENT
2003	8,904,254	11,693,324	1.313	69.5%	20.1%	10.4%
2004	10,112,476	12,882,032	1.274	57.7%	38.5%	3.8%
2005	6,182,260	7,529,370	1.218	73.9%	24.6%	1.5%
2006	9,862,650	11,451,402	1.161	54.8%	36.5%	8.7%
2007	10,995,743	12,329,568	1.121	64.3%	27.2%	8.5%

ARKANSAS
TABLE 26

BASIC GROUP II

ADDITIONAL INFORMATION ON TREND ADJUSTMENTS

YEAR	(1) UNADJUSTED INCURRED LOSSES	(2) TRENDED INCURRED LOSSES	(3) AVERAGE TOTAL LOSS TREND FACTOR (2) / (1)	(4) SPLIT %		
				BUILDINGS	CONTENTS	TIME ELEMENT
1998	1,801,825	2,827,191	1.569	93.2%	6.3%	0.5%
1999	13,063,876	19,494,016	1.492	87.8%	11.0%	1.2%
2000	5,023,932	7,439,975	1.481	84.7%	10.8%	4.5%
2001	5,336,655	7,844,394	1.470	90.4%	9.3%	0.3%
2002	4,491,609	6,546,147	1.457	94.1%	4.7%	1.2%
2003	1,671,434	2,392,148	1.431	93.0%	5.6%	1.4%
2004	4,974,034	6,904,863	1.388	93.8%	6.2%	0.0%
2005	1,967,296	2,601,617	1.322	93.4%	6.5%	0.1%
2006	4,918,804	5,921,302	1.204	84.6%	13.1%	2.3%
2007	10,317,922	11,786,737	1.142	94.7%	3.6%	1.7%

ARKANSAS
TABLE 27

SPECIAL CAUSES OF LOSS

ADDITIONAL INFORMATION ON TREND ADJUSTMENTS

YEAR	(1)	(2)	(3)	(4)		
	UNADJUSTED INCURRED LOSSES	TRENDED INCURRED LOSSES	AVERAGE TOTAL LOSS TREND FACTOR (2) / (1)	SPLIT %		TIME ELEMENT
				BUILDINGS	CONTENTS	
2003	1,922,173	2,566,147	1.335	73.4%	26.3%	0.3%
2004	1,741,340	2,232,148	1.282	54.4%	45.1%	0.5%
2005	1,744,583	2,112,167	1.211	56.6%	43.4%	0.0%
2006	1,939,657	2,261,364	1.166	52.6%	45.9%	1.5%
2007	2,323,737	2,603,374	1.120	57.0%	39.3%	3.7%

EXPLANATORY NOTES TO TABLES 25, 26 AND 27

BG I, BG II, AND SCL ADDITIONAL INFORMATION ON TREND ADJUSTMENTS

COLUMN (1) UNADJUSTED INCURRED LOSSES

The unadjusted incurred losses are the reported losses prior to any adjustment.

COLUMN (2) TRENDED INCURRED LOSSES

The trended incurred losses are the aggregate of the individual losses trended on a unit record basis.

COLUMN (3) AVERAGE TREND FACTOR

The average trend factors are the trended incurred losses in column (2) divided by the unadjusted incurred losses in column (1). Although average factors could be calculated from the information contained in Tables 21 through 23, they would differ from the factors shown in this table for the following reasons:

- (1) In calculating such averages, the usual assumption is that the losses are spread evenly throughout the year, yielding the midpoint of each year as the average date of loss. A predominance of losses at a certain time of the year could shift the average accident date away from the midpoint.
- (2) The average trend factors will be slightly higher due to the impact of trend on the deductible.

COLUMN (4) PERCENTAGE SPLIT BETWEEN BUILDINGS, CONTENTS, AND TIME ELEMENT

The current cost factors and loss projection factors are different for buildings, contents, and time element. Therefore, in addition to the reasons cited above, the average trend factors will differ from state to state depending on the buildings/contents/time element split. Companies with splits substantially different than the industrywide averages shown here may find it appropriate to develop trend factors which reflect their own coverage mix.

LOSS DEVELOPMENT

INTRODUCTION

For Commercial Property, losses are evaluated as of June 30, 2007, three months after the end of the latest experience year used in the review. In order to account for development of losses beyond fifteen months and to reflect overall loss development patterns, loss development was incorporated into the adjustment process of incurred losses to their ultimate settlement value.

LOSS DEVELOPMENT PROCEDURES

The application of loss development factors recognizes the fact that not all of the Commercial Property losses for a particular accident year have been finally determined at the time the experience is compiled.

The incurred losses underlying the statewide loss cost level indications were evaluated as of June 30, 2007.

Accident year ended March 31, 2007 includes all losses paid on accidents from April 1, 2006 to March 31, 2007 and all losses outstanding on those accidents as of June 30, 2007, fifteen months after the inception of the accident year. Similarly, accident years ended March 31, 2006, 2005, 2004 and 2003 include all losses paid and outstanding as of 27, 39, 51 and 63 months, respectively, after the inception of the accident year.

Thus, the immature experience reported as of 15, 27, 39 or 51 months must be adjusted to an ultimate settlement basis. This adjustment is accomplished through the use of loss development factors based on the historic multistate Basic Group I, Basic Group II, and Special Causes of Loss incurred losses as shown in Table 28.

TABLE 28
BASIC GROUP I
INCURRED LOSSES
LOSS YEARS 1998-2007
EVALUATED AS OF 6/2007

LOSSES AS OF					
YEAR ENDING	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS
3/31/1998	703,027,245	715,336,377	711,461,275	717,101,970	713,407,892
3/31/1999	843,516,607	848,732,171	839,170,830	834,146,997	832,657,020
3/31/2000	888,181,310	900,562,545	894,256,967	885,720,953	880,981,569
3/31/2001	973,650,870	928,095,812	914,342,251	906,243,056	898,884,220
3/31/2002	855,552,225	843,082,968	832,996,403	821,851,125	815,831,437
3/31/2003	778,752,454	767,737,245	754,306,191	748,154,051	748,395,149
3/31/2004	773,374,455	775,539,544	761,643,260	752,963,370	
3/31/2005	720,584,742	711,275,694	704,293,805		
3/31/2006	823,568,793	831,860,608			
3/31/2007	980,793,540				

RATIOS				
YEAR ENDING	27:15 MONTHS	39:27 MONTHS	51:39 MONTHS	63:51 MONTHS
3/31/1998	1.018	0.995	1.008	0.995
3/31/1999	1.006	0.989	0.994	0.998
3/31/2000	1.014	0.993	0.990	0.995
3/31/2001	0.953	0.985	0.991	0.992
3/31/2002	0.985	0.988	0.987	0.993
3/31/2003	0.986	0.983	0.992	1.000
3/31/2004	1.003	0.982	0.989	
3/31/2005	0.987	0.990		
3/31/2006	1.010			
5 POINT AVERAGE	0.994	0.986	0.990	0.996

DEVELOPMENT FACTORS TO ULTIMATE

15 MONTHS TO ULTIMATE = $0.994 \times 0.986 \times 0.990 \times 0.996 = 0.966$

27 MONTHS TO ULTIMATE = $0.986 \times 0.990 \times 0.996 = 0.972$

39 MONTHS TO ULTIMATE = $0.990 \times 0.996 = 0.986$

51 MONTHS TO ULTIMATE = 0.996

TABLE 28
BASIC GROUP II
INCURRED LOSSES
LOSS YEARS 1998-2007
EVALUATED AS OF 6/2007

LOSSES AS OF					
YEAR ENDING	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS
3/31/1998	205,819,613	204,641,273	202,395,682	203,264,610	203,717,633
3/31/1999	373,950,681	375,535,785	376,042,748	377,540,239	376,806,443
3/31/2000	245,920,350	255,442,608	255,922,219	257,062,662	256,107,971
3/31/2001	244,963,619	247,047,553	246,741,708	245,616,557	244,169,305
3/31/2002	287,732,601	283,784,186	281,916,304	282,196,990	282,991,879
3/31/2003	230,476,062	233,224,803	232,725,271	238,276,366	237,573,141
3/31/2004	293,482,873	288,648,528	287,434,555	286,628,883	
3/31/2005	164,895,764	165,394,208	166,322,187		
3/31/2006	224,799,178	250,634,456			
3/31/2007	400,465,900				

RATIOS				
YEAR ENDING	27:15 MONTHS	39:27 MONTHS	51:39 MONTHS	63:51 MONTHS
3/31/1998	0.994	0.989	1.004	1.002
3/31/1999	1.004	1.001	1.004	0.998
3/31/2000	1.039	1.002	1.004	0.996
3/31/2001	1.009	0.999	0.995	0.994
3/31/2002	0.986	0.993	1.001	1.003
3/31/2003	1.012	0.998	1.024	0.997
3/31/2004	0.984	0.996	0.997	
3/31/2005	1.003	1.006		
3/31/2006	1.115			
5 POINT AVERAGE	1.020	0.998	1.004	0.998

DEVELOPMENT FACTORS TO ULTIMATE

15 MONTHS TO ULTIMATE = $1.020 \times 0.998 \times 1.004 \times 0.998 = 1.020$

27 MONTHS TO ULTIMATE = $0.998 \times 1.004 \times 0.998 = 1.000$

39 MONTHS TO ULTIMATE = $1.004 \times 0.998 = 1.002$

51 MONTHS TO ULTIMATE = 0.998

TABLE 28
SPECIAL CAUSES OF LOSS
INCURRED LOSSES
LOSS YEARS 1998-2007
EVALUATED AS OF 6/2007

LOSSES AS OF					
YEAR ENDING	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS
3/31/1998	309,121,795	307,865,249	313,046,929	310,335,240	309,846,347
3/31/1999	397,302,258	407,762,110	406,151,508	403,469,641	401,345,735
3/31/2000	354,819,662	354,724,853	353,107,865	350,617,307	350,132,814
3/31/2001	401,710,918	406,797,448	406,542,385	404,669,403	402,227,738
3/31/2002	335,747,447	333,931,886	334,680,760	333,109,298	331,784,280
3/31/2003	452,452,326	448,217,415	447,038,185	445,417,517	441,626,477
3/31/2004	376,809,560	384,144,001	382,108,837	379,599,392	
3/31/2005	370,408,875	365,800,647	364,325,896		
3/31/2006	318,653,366	324,805,200			
3/31/2007	461,621,477				

RATIOS				
YEAR ENDING	27:15 MONTHS	39:27 MONTHS	51:39 MONTHS	63:51 MONTHS
3/31/1998	0.996	1.017	0.991	0.998
3/31/1999	1.026	0.996	0.993	0.995
3/31/2000	1.000	0.995	0.993	0.999
3/31/2001	1.013	0.999	0.995	0.994
3/31/2002	0.995	1.002	0.995	0.996
3/31/2003	0.991	0.997	0.996	0.991
3/31/2004	1.019	0.995	0.993	
3/31/2005	0.988	0.996		
3/31/2006	1.019			
5 POINT AVERAGE	1.002	0.998	0.994	0.995

DEVELOPMENT FACTORS TO ULTIMATE

15 MONTHS TO ULTIMATE = $1.002 \times 0.998 \times 0.994 \times 0.995 = 0.989$

27 MONTHS TO ULTIMATE = $0.998 \times 0.994 \times 0.995 = 0.987$

39 MONTHS TO ULTIMATE = $0.994 \times 0.995 = 0.989$

51 MONTHS TO ULTIMATE = 0.995

EXPLANATORY NOTES TO TABLE 28

LOSS DEVELOPMENT

INTRODUCTION

Table 28 shows multistate incurred loss development exhibits for Basic Group I, Basic Group II and Special Causes of Loss. The exhibits on Table 28 are arranged identically for each subline and can be summarized as listing the following information: incurred losses by accident year and age, age-to-age factors by accident year, and age-to-ultimate factors.

INCURRED LOSSES

The multistate incurred losses are shown by accident year and age at the top of Table 28. The multistate incurred losses are evaluated as of 15, 27, 39, 51 and 63 months. For Basic Group II, losses due to hurricanes reflected in the modeled hurricane loss costs have been removed from the experience for each rating territory and loss month.

AGE-TO-AGE DEVELOPMENT FACTORS

Age-to-age development factors or link ratios are calculated for each accident year. These age-to-age factors are calculated by dividing the incurred losses evaluated at each age by the incurred losses evaluated at the immediately preceding age. For example, 27:15 month age-to-age factors are calculated by taking the losses evaluated as of 27 months and dividing them by the losses evaluated as of 15 months, for each accident year. Age-to-age development factors are also calculated for 39:27 months, 51:39 months and 63:51 months. Latest five-year averages are then determined for each age-to-age interval.

AGE-TO-ULTIMATE DEVELOPMENT FACTORS

Age-to-ultimate factors are then calculated for the latest four years by multiplying the five-year average age-to-age development factors. These age-to-ultimate factors are then used in the adjustment of incurred losses to develop losses to their ultimate settlement value.

EXCESS LOSS PROCEDURES

INTRODUCTION

If not addressed, the presence or absence of large losses during the review period can produce significant fluctuations in loss cost levels. In order to develop a more stable body of experience, large losses have been smoothed. This procedure removes any excess losses from the experience and applies excess loss factors to the resultant state normal losses to generate the adjusted incurred losses. The adjusted losses developed in this manner replace the incurred losses in the loss cost level evaluation.

BASIC GROUP I

First, the excess portion of each large loss is removed from the trended loss experience.

Individual claim amounts that result from the same occurrence are grouped together, and if the total loss for one occurrence exceeds the normal loss cutoff (at 2005 cost levels), the total loss is identified as a large loss. Each large loss is then split into its normal and excess portions based on the normal loss cutoff.

The Basic Group I normal loss cutoff begins at \$250,000 and varies with the size of loss up to a maximum normal amount (approached asymptotically) of \$1,250,000. (The formula and a graph are shown on Table 29.) The portion of each large loss exceeding the cutoff is considered excess and the portion of any loss up to the cutoff is considered normal.

As noted above, the excess loss procedure is performed on trended loss experience (i.e. loss experience adjusted to prospective cost levels by the current cost factors, loss projection factors, and loss trend adjustment factors (for claim cost only) shown in Tables 21 through 22). The loss trend adjustment for frequency trend is not reflected at this step in the process. The normal breakpoint of \$250,000 for BGI and the parameters in the normal loss formula are at 2005 cost levels and therefore have been similarly adjusted to prospective cost levels.

Both the normal and total incurred losses are aggregated over all states by construction, protection, and amount of insurance intervals. The most recent ten years of experience are used in this analysis. Excess loss factors by construction, protection and amount of insurance are then calculated as the ratios of the ten year multistate incurred losses to the ten-year multistate normal losses.

These factors are then smoothed by fitting curves (by amount of insurance intervals) to the indicated factors. The resulting factors are then balanced so the original ten-year multistate incurred loss level is maintained.

EXCESS LOSS PROCEDURES (cont'd)

BASIC GROUP I (cont'd)

The excess factors are then applied to the state normal losses, which are maintained in the same detail (construction, protection and amount of insurance) as well as by year, territory, rating group and TOP. The state normal losses used in this calculation have also been trended for frequency.

The excess loss factors vary by construction, protection and the amount of insurance because these are the most significant severity-related rating variables.

BASIC GROUP II

Since catastrophic wind losses affect both the frequency and severity of loss, the Basic Group II excess procedure identifies periods of overall adverse experience, rather than individual large losses. Also, due to the extreme volatility of windstorm losses, a long-term review period (1950 - present) is used to estimate the expected excess losses.

Loss ratio cutoffs are used to determine normal losses, state excess losses, and regional excess losses for each year in the long-term review period. The application of these cutoffs is detailed in the explanatory notes to Table 31A. The state excess losses are used to determine the state excess component of the state excess multiplier, and the regional excess losses are used to determine the regional excess component. (Table 31B is a list of states by region.) The state excess multiplier is derived in such a manner as to provide an estimate of the expected excess loss dollars per normal loss dollar.

The state excess multiplier is applied to each accident year in the ten-year experience period used in the review. In this way, a review database is created reflecting both the current normal loss experience and the average excess loss experience based on the long-term review. This allows a concurrent evaluation of both the normal and the excess components of the BG II loss cost level.

SPECIAL CAUSES OF LOSS

Similar to Basic Group II, the Special Causes of Loss (SCL) smoothing procedure uses a loss ratio approach to reflect both the frequency and severity of unusual loss events which may produce significant fluctuations in loss cost levels. The excess procedure uses longer term statewide SCL experience (1985 - present) to account for the volatile nature of weather related losses (water damage from bursting pipes, or the weight of ice, sleet, or snow) which are the predominant cause of large SCL losses in a given experience period. A monthly normal loss ratio cutoff of 2.0 is used to define normal and excess losses. The resulting ratio of excess to normal losses over the long-term experience period is then applied to the normal losses used in the loss cost level review. SCL has a lower loss ratio cutoff than that used in Basic Group II in order to reflect the less catastrophic nature of unusual SCL loss events. The calculations underlying the smoothing procedure are described in the Explanatory Notes to Table 32.

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**TABLE 29 - COUNTRYWIDE BASIC GROUP I EXCESS LOSS FACTORS
BY CONSTRUCTION, PROTECTION AND EXPOSURE**

		Amount of Insurance *										
		1	2	3	4	5	6	7	8	9	10	11
Const. 1-3	Prot. 1-4	1.000	1.020	1.036	1.057	1.077	1.100	1.125	1.164	1.265	1.417	1.994
	Prot. 5-7	1.000	1.024	1.043	1.067	1.091	1.118	1.148	1.193	1.313	1.492	2.171
	Prot. 8-10	1.000	1.024	1.043	1.067	1.091	1.119	1.149	1.194	1.314	1.494	2.173

		Amount of Insurance *										
		1	2	3	4	5	6	7	8	9	10	11
Const. 4-6	Prot. 1-4	1.000	1.020	1.035	1.054	1.074	1.096	1.120	1.157	1.255	1.401	1.955
	Prot. 5-7	1.000	1.023	1.041	1.065	1.088	1.114	1.143	1.187	1.303	1.475	2.129
	Prot. 8-10	1.000	1.024	1.041	1.065	1.088	1.115	1.144	1.187	1.303	1.476	2.131

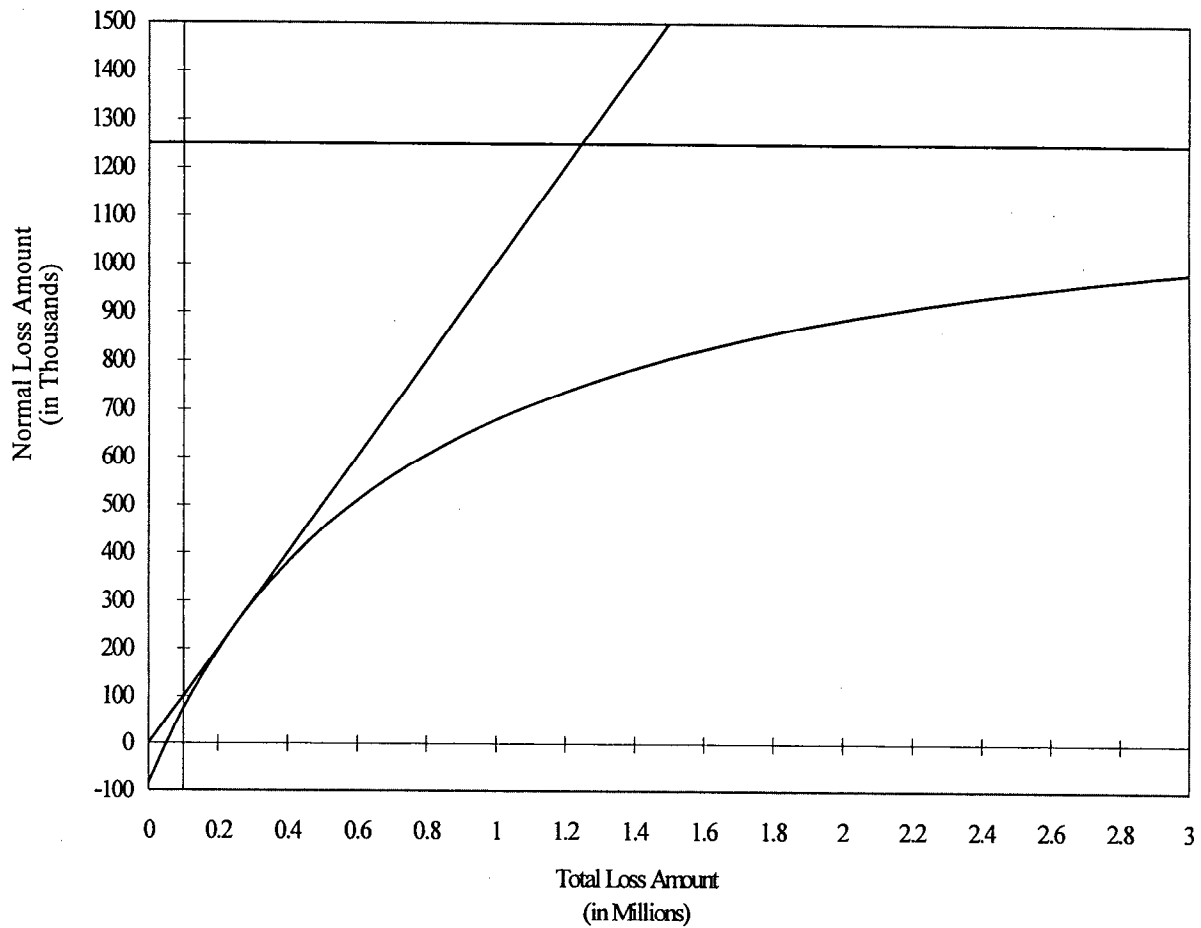
*	Amount of Insurance	Intervals
1		0 - 293,000
2		293,001 - 400,000
3		400,001 - 600,000
4		600,001 - 800,000
5		800,001 - 1,000,000
6		1,000,001 - 1,250,000
7		1,250,001 - 1,500,000
8		1,500,001 - 2,000,000
9		2,000,001 - 3,500,000
10		3,500,001 - 5,000,000
11		5,000,001 and over

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Table 29 (cont'd)

Countrywide Basic Group I
Normal vs. Total Loss Amount

$$\text{Normal Loss} = \$1,250,000 \times (1 - (\$800,000 \div (\text{Total Loss} + \$750,000)))$$



EXPLANATORY NOTES TO TABLES 29

COUNTRYWIDE BASIC GROUP I EXCESS LOSS FACTORS

EXCESS LOSS
FACTORS

The multistate excess loss factors are the ratios of the ten-year multistate adjusted incurred losses to the ten-year multistate adjusted normal losses (both adjusted for severity trend). They are determined separately by construction, protection and amount of insurance range. Due to credibility considerations, both constructions and protections have been consolidated as shown. The amount of insurance ranges are also shown.

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TABLE 30

BASIC GROUP I
ADDITIONAL EXCESS LOSS INFORMATION

YEAR	(1) TRENDED INCURRED LOSSES	(2) TRENDED NORMAL LOSSES	(3) STATE NORMAL % (2) / (1)	(4) MULTI- STATE NORMAL %	(5) ADJUSTED INCURRED LOSSES	(6) STATE AVERAGE EXCESS FACTOR (5) / (2)
2003	11,693,324	9,286,803	79.4%	77.4%	14,098,007	1.518
2004	12,882,032	10,111,734	78.5%	75.0%	13,299,734	1.315
2005	7,529,370	7,299,787	97.0%	77.9%	8,814,216	1.207
2006	11,451,402	7,973,985	69.6%	72.7%	10,893,329	1.366
2007	12,329,568	9,499,826	77.0%	72.0%	11,133,914	1.172

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EXPLANATORY NOTES TO TABLE 30

BASIC GROUP I ADDITIONAL EXCESS LOSS INFORMATION

COLUMN (1) TRENDED INCURRED LOSSES

The trended incurred losses are the aggregate of all individually-trended loss records prior to any adjustment for large losses. They are shown here fully trended for severity.

COLUMN (2) TRENDED NORMAL LOSSES

The normal losses are the aggregate of the normal portions of each loss occurrence. These are also fully trended.

COLUMN (3) STATE NORMAL PERCENTAGE

The state normal percentages are the statewide normal losses divided by the statewide trended incurred losses. These percentages can be used in conjunction with the multistate percentages and actual dollar amounts of normal losses to assess the state loss experience. For example, consistently lower state normal percentages relative to multistate normal percentages could indicate that the state has a greater propensity for large losses.

COLUMN (4) MULTISTATE NORMAL PERCENTAGES

The multistate normal percentages are the multistate normal losses divided by the multistate trended incurred losses. As noted above these can be used as a yardstick against which the statewide experience can be measured.

COLUMN (5) ADJUSTED INCURRED LOSSES

The adjusted incurred losses are the totals across all constructions, protections and exposures of the fully trended normal losses multiplied by the excess loss factors.

COLUMN (6) STATE AVERAGE EXCESS FACTOR

The state average excess factors are the adjusted incurred losses in column (5) divided by the normal losses in column (2). These factors represent the annual averages of the factors calculated separately by construction, protection and amount of insurance. The average excess factor reflects the normal loss mix by construction, protection and exposure. Heavy concentration in those subsets of the data with high excess factors will result in large average factors.

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TABLE 31A

DEVELOPMENT OF BASIC GROUP II EXCESS MULTIPLIER

	(1)	(2)	(3)	(4)	(5)	(6)
YEAR	EARNED PREMIUMS	INCURRED LOSSES	NORMAL INCURRED LOSSES	NORMAL LOSS RATIO	STATE EXCESS LOSS RATIO	REGIONAL EXCESS LOSS RATIO
1950	1,380,108	770,570	770,570	0.558		
1951	1,492,026	539,420	539,420	0.362		
1952	1,696,849	1,431,784	1,225,125	0.722	0.115	0.007
1953	1,693,600	779,557	779,557	0.460		
1954	1,741,169	412,820	412,820	0.237		
1955	1,761,484	1,121,404	1,121,404	0.637		
1956	1,766,431	773,762	773,762	0.438		
1957	1,770,263	831,603	831,603	0.470		
1958	1,825,182	407,537	407,537	0.223		
1959	1,866,888	532,777	532,777	0.285		
1960	1,863,711	835,020	835,020	0.448		
1961	1,857,926	1,631,656	1,341,423	0.722	0.146	0.010
1962	1,789,018	781,210	781,210	0.437		
1963	1,624,032	268,859	268,859	0.166		
1964	1,519,553	801,216	801,216	0.527		
1965	1,459,966	1,645,124	1,054,095	0.722	0.342	0.063
1966	1,415,137	840,535	840,535	0.594		
1967	1,452,465	913,169	913,169	0.629		
1968	1,398,022	2,606,129	1,009,372	0.722	0.752	0.390
1969	1,454,028	847,958	847,958	0.583		
1970	1,965,610	1,076,458	1,076,458	0.548		
1971	2,174,750	832,868	832,868	0.383		
1972	3,174,843	3,026,301	2,292,237	0.722	0.209	0.022
1973	3,821,353	11,144,039	2,759,017	0.722	1.099	1.095
1974	4,557,417	5,111,876	3,290,455	0.722	0.338	0.062
1975	5,500,791	4,272,280	3,971,571	0.722	0.053	0.002
1976	6,806,199	2,138,608	2,138,608	0.314		
1977	9,193,213	1,813,486	1,813,486	0.197		
1978	11,040,260	5,925,026	5,925,026	0.537		
1979	11,678,544	5,892,442	5,892,442	0.505		

ARKANSAS
TABLE 31A

DEVELOPMENT OF BASIC GROUP II EXCESS MULTIPLIER

	(1)	(2)	(3)	(4)	(5)	(6)
YEAR	EARNED PREMIUMS	INCURRED LOSSES	NORMAL INCURRED LOSSES	NORMAL LOSS RATIO	STATE EXCESS LOSS RATIO	REGIONAL EXCESS LOSS RATIO
1980	10,607,295	7,720,096	4,617,243	0.435	0.242	0.051
1981	9,020,885	3,548,472	3,482,670	0.386	0.007	
1982	8,112,984	7,140,131	4,056,090	0.500	0.310	0.070
1983	8,117,088	3,630,830	3,630,830	0.447		
1984	8,176,812	6,210,707	4,870,091	0.596	0.149	0.015
1985	8,878,716	3,021,939	3,021,939	0.340		
1986	10,207,116	2,390,147	2,390,147	0.234		
1987	9,600,042	4,008,184	3,415,237	0.356	0.059	0.003
1988	8,202,291	3,889,183	3,537,252	0.431	0.042	0.001
1989	6,791,331	5,748,183	3,829,600	0.564	0.242	0.040
1990	6,395,562	3,446,534	2,582,127	0.404	0.125	0.010
1991	6,339,942	3,116,706	3,116,706	0.492		
1992	6,674,910	1,844,923	1,844,923	0.276		
1993	6,648,078	1,814,387	1,814,387	0.273		
1994	7,787,544	3,304,034	3,304,034	0.424		
1995	7,151,661	2,829,935	2,829,935	0.396		
1997	8,654,082	29,090,096	7,294,941	0.843	1.376	1.142
1998	7,368,346	1,801,825	1,801,825	0.245		
1999	6,537,265	13,063,876	6,050,781	0.926	0.652	0.420
2000	6,254,651	5,023,932	5,023,932	0.803		
2001	6,608,825	5,336,655	4,904,368	0.742	0.063	0.003
2002	7,549,031	4,491,609	3,637,207	0.482	0.106	0.007
2003	9,773,875	1,671,434	1,671,434	0.171		
2004	11,471,076	4,974,034	4,974,034	0.434		
2005	12,640,663	1,967,296	1,967,296	0.156		
2006	13,408,710	4,918,804	4,918,804	0.367		
2007	14,273,265	10,317,922	8,814,067	0.618	0.099	0.006
TOTALS				27.655	6.526	3.419

(7) STATE EXCESS COMPONENT = (SELR / NLR) = 0.236

(8) REGIONAL EXCESS COMPONENT = 0.094

(9) STATE EXCESS MULTIPLIER = (1 + SEC) * (1 + REC) = 1.352

NOTE: FOR YEARS PRIOR TO 1996, THE DISPLAYED YEAR INCLUDES DATA FOR ACCIDENT YEAR ENDING 12/31. FOR YEARS 1998 TO 2007, THE DISPLAYED YEAR INCLUDES DATA FOR ACCIDENT YEAR ENDING 03/31. THE DISPLAYED YEAR 1997 INCLUDES DATA FOR FIRST QUARTER 1996 THROUGH FIRST QUARTER 1997.

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EXPLANATORY NOTES TO TABLE 31A

COLUMN (1)

EARNED PREMIUMS

The unadjusted earned premiums are shown for each year.

COLUMN (2)

INCURRED LOSSES

The unadjusted incurred losses are shown for each year.

COLUMN (3)

NORMAL INCURRED LOSSES

Normal losses which are shown for each year are defined as follows:

- for losses reported under CSP (for which month of loss detail is available), that portion of each month's losses which does not exceed 2.5 times that month's earned premiums.
- for losses reported under CRSP, SCOH and SMP (for which month of loss detail is not available), that part of each year's losses which does not exceed 0.722 times that year's earned premiums.

COLUMN (4)

NORMAL LOSS RATIO

For each year in the excess review period, the normal loss ratio is calculated as the ratio of the normal losses (for CSP data the sum of each month's normal losses) to the earned premiums for the same year.

COLUMN (5)

STATE EXCESS LOSS RATIO

The state excess loss ratio is the ratio of the state excess losses to the unadjusted earned premium. The state excess losses are determined by the following formulas:

$$\cdot \quad EP \times \frac{20(LR-2.5)}{(LR-2.5)+20} \text{ if } LR > 2.5; \text{ otherwise } 0$$

for CSP, where EP = the monthly earned premiums, LR = the monthly loss ratio and the yearly state excess losses are the sum of the monthly state excess losses.

$$\cdot \quad EP \times \frac{2.2(LR-.722)}{(LR-.722)+2.2} \text{ if } LR > 0.722; \text{ otherwise } 0$$

for CRSP, SCOH, SMP, where EP = the earned premiums and LR = the yearly loss ratio.

EXPLANATORY NOTES TO TABLE 31A (cont'd)

COLUMN (6)

REGIONAL EXCESS LOSS RATIO

If $LR > NLR$, then the regional excess loss ratio is:

regional excess loss ratio = $LR - SELR - NLR$

where $SELR$ = the state excess loss ratio,
 NLR = the normal loss ratio, and
 LR = the loss ratio

LINE (7)

STATE EXCESS COMPONENT

The state excess component is determined by dividing the sum of all state excess loss ratios by the sum of all normal loss ratios (where the sum is taken across all accident years).

LINE (8)

REGIONAL EXCESS COMPONENT

The regional excess component is determined by dividing the weighted average (determined, in each case, against the latest year unadjusted premium distribution) of the sum of regional excess loss ratios of all the states in the region by the weighted average of the sum of all loss ratio points retained by a state (normal and state excess loss ratios) of all the states in the region. See Table 31B for the appropriate BG II region for the state.

LINE (9)

STATE EXCESS MULTIPLIER

The state excess multiplier is derived by taking the product of the state excess component and the regional excess component.

TABLE 31B

BASIC GROUP II REGIONS

NORTHEAST REGION

CONNECTICUT
DELAWARE
DIST OF COLUMBIA
MAINE
MARYLAND
MASSACHUSETTS
NEW HAMPSHIRE
NEW JERSEY
NEW YORK
PENNSYLVANIA
RHODE ISLAND
VERMONT
VIRGINIA

PLAINS REGION

ARKANSAS
COLORADO
IOWA
KANSAS
MINNESOTA
MISSOURI
MONTANA
NEBRASKA
NORTH DAKOTA
OKLAHOMA
SOUTH DAKOTA
WYOMING

SOUTHEAST REGION

ALABAMA
FLORIDA
GEORGIA
LOUISIANA
MISSISSIPPI
NORTH CAROLINA
SOUTH CAROLINA
HAWAII

MIDWEST REGION

ILLINOIS
INDIANA
KENTUCKY
MICHIGAN
OHIO
TENNESSEE
WEST VIRGINIA
WISCONSIN

WEST REGION

ARIZONA
CALIFORNIA
IDAHO
NEVADA
NEW MEXICO
OREGON
UTAH
WASHINGTON
ALASKA

ARKANSAS

TABLE 32 - DEVELOPMENT OF SPECIAL CAUSES OF LOSS EXCESS MULTIPLIER

YEAR	(1) EARNED PREMIUMS	(2) INCURRED LOSSES	(3) NORMAL INCURRED LOSSES	(4) NORMAL LOSS RATIO	(5) STATE EXCESS LOSS RATIO
1986	2,245,038	1,239,987	1,239,987	0.552	
1987	2,966,163	818,730	818,730	0.276	
1988	3,349,911	4,119,340	1,963,578	0.586	0.644
1989	3,541,860	2,032,932	2,029,926	0.573	0.001
1990	3,865,938	3,541,769	2,774,707	0.718	0.198
1991	4,408,275	3,674,148	3,463,443	0.786	0.047
1992	4,232,244	3,500,531	3,373,067	0.797	0.030
1993	3,970,467	1,466,485	1,466,485	0.369	
1994	4,111,182	2,663,205	2,663,205	0.648	
1995	4,755,003	2,182,913	2,182,913	0.459	
1996	4,610,625	2,532,377	2,532,377	0.549	
1997	4,521,153	3,070,039	2,624,006	0.580	0.099
1998	4,679,133	2,411,445	2,411,445	0.515	
1999	4,322,388	2,479,520	2,316,175	0.536	0.038
2000	3,751,749	4,950,219	2,564,493	0.684	0.635
2001	3,653,286	5,127,858	2,430,783	0.665	0.739
2002	3,697,422	1,751,058	1,751,058	0.474	
2003	4,358,840	1,922,173	1,922,173	0.441	
2004	4,887,185	1,741,340	1,741,340	0.356	
2005	5,021,738	1,744,583	1,744,583	0.347	
2006	5,380,963	1,939,657	1,939,657	0.360	
2007	5,686,670	2,323,737	2,323,737	0.409	
TOTALS		57,234,046	48,277,868	11.680	2.431

(6) STATE EXCESS COMPONENT = (SELR / NLR) = 0.208

(7) STATE EXCESS MULTIPLIER = (1 + SEC) = 1.208

EXPLANATORY NOTES TO TABLE 32

SPECIAL CAUSES OF LOSS ADDITIONAL EXCESS LOSS FACTOR

COLUMN (1) EARNED PREMIUMS

These are the unadjusted earned premiums for each year.

COLUMN (2) INCURRED LOSSES

These are the unadjusted incurred losses for each year.

COLUMN (3) NORMAL INCURRED LOSSES

The normal incurred losses are shown for each year. The normal incurred losses are defined to be that portion of each month's losses which does not exceed 2.0 times the monthly earned premiums.

COLUMN (4) NORMAL LOSS RATIO

The normal loss ratio for each year is the ratio of the normal incurred losses for each year divided by the earned premiums for the year.

Column (4) = Column (3) ÷ Column (1)

COLUMN (5) EXCESS LOSS RATIO

The excess loss ratio for each year is the ratio of the excess losses to the earned premium for the year. The excess losses are calculated as the incurred losses minus the normal incurred losses for each year.

LINE (6) EXCESS COMPONENT

The excess component is determined by dividing the sum of the excess loss ratios by the sum of the normal loss ratios, where the sums are taken across all years in the excess review period.

LINE (7) EXCESS MULTIPLIER

The excess multiplier is derived by adding unity to the excess component.

OVERVIEW

APPLICATION OF CREDIBILITY

INTRODUCTION

Credibility, Z , is a weight given to the most recent body of data. The complement of credibility, $1-Z$, is the weight assigned to net trend. The final estimate is a weighted average obtained by using the formula $C = Z \times R + (1-Z) \times N$, where:

Z = credibility

C = final estimate

R = estimate based on the most recent data

N = net trend

Credibility may range from 0 to 1, where $Z=1$ is full credibility and $Z=0$ is no credibility. The actual numerical value of Z is calculated by considering how the state's volume of experience compares with an established full credibility standard. Credibility is capped at 25% if the credibility calculated is below 25%. See Tables 33, 33A, and 34 for a complete explanation of the credibility standards for Basic Group I, Basic Group II, and Special Causes of Loss.

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TABLE 33 - BASIC GROUP I STATEWIDE CREDIBILITY CALCULATION

(1a) FULL CREDIBILITY CLAIMS STANDARD FOR FREQUENCY WITH (P,K) = (95.00% , 5.00%)	1,537
(1b) SEVERITY MODIFICATION FACTOR	11.554
(1c) FULL CREDIBILITY CLAIMS STANDARD ADJUSTED FOR SEVERITY ((1a) X (1b))	17,758
(2) MULTISTATE FIVE YEAR RATIO OF EARNED RISKS TO CLAIMS	218.433
(3) FULL CREDIBILITY EARNED RISKS STANDARD (1c)X(2)	3,878,933
(4) FIVE YEAR STATEWIDE EARNED RISKS	229,444
(5) FIVE YEAR AGGREGATE LOSS COSTS	87,364,892
(6) AGGREGATE LOSS COSTS PER EARNED RISK (5)/(4)	380.768
(7) AGGREGATE LOSS COSTS FOR 100% CREDIBILITY (3) X (6)	1,476,973,561
(8) STATEWIDE CREDIBILITY ((5)/(7))**(.5)	24.3%
(11) MINIMUM CREDIBILITY	25.0%

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TABLE 33A - BASIC GROUP II STATEWIDE CREDIBILITY CALCULATION

(1) FULL CREDIBILITY CLAIMS STANDARD	30,000
(2) MULTISTATE TEN YEAR RATIO OF EARNED RISKS TO CLAIMS	137.694
(3) FULL CREDIBILITY EARNED RISKS STANDARD (1)X(2)	4,130,820
(4) TEN YEAR STATEWIDE EARNED RISKS	461,395
(5) TEN YEAR AGGREGATE LOSS COSTS	102,053,710
(6) AGGREGATE LOSS COSTS PER EARNED RISK (5)/(4)	221.185
(7) AGGREGATE LOSS COSTS FOR 100% CREDIBILITY (3) X (6)	913,675,422
(8) STATEWIDE CREDIBILITY ((5)/(7))**(.5)	33.4%

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TABLE 34 - SPECIAL CAUSES OF LOSS STATEWIDE CREDIBILITY CALCULATION

(1) FULL CREDIBILITY CLAIMS STANDARD	25,000
(2) MULTISTATE FIVE YEAR RATIO OF EARNED RISKS TO CLAIMS	134.029
(3) FULL CREDIBILITY EARNED RISKS STANDARD (1)X(2)	3,350,725
(4) FIVE YEAR STATEWIDE EARNED RISKS	217,838
(5) FIVE YEAR AGGREGATE LOSS COSTS	19,891,847
(6) AGGREGATE LOSS COSTS PER EARNED RISK (5)/(4)	91.315
(7) AGGREGATE LOSS COSTS FOR 100% CREDIBILITY (3) X (6)	305,971,453
(8) STATEWIDE CREDIBILITY ((5)/(7))**(.5)	25.5%

EXPLANATORY NOTES TO TABLES 33, 33A AND 34

BASIC GROUP I, BASIC GROUP II, AND SPECIAL CAUSES OF LOSS
STATEWIDE CREDIBILITY CALCULATION

LINE (1a)
(BGI only)

Full Credibility Claims Standard of Frequency

Based on a Poisson distribution, the minimum sample size of claims is determined such that the probability that the actual number of claims will be within 5% of the expected number of claims is greater than 95%.

LINE (1b)
(BGI only)

Severity Modification Factor

This factor, defined as $(1 + S^2 / M^2)$, is used to modify the claims standard to reflect variance due to severity, where S is the standard deviation and M is the mean of the loss severity distribution (on a normal loss basis).

LINE (1c) - BGI
LINE (1) - BGII, SCL

Full Credibility Claims Standard

For Basic Group I, this standard is the product of the frequency standard in line (1a) and the severity modification factor in line (1b). For Basic Group II and Special Causes of Loss, standards for full credibility of 30,000 claims for BGII and 25,000 claims for SCL were selected to balance stability and responsiveness.

LINE (2)

Multistate Experience Period Ratio of Earned Risks to Claims

This ratio was determined based on Commercial Statistical Plan data for the latest experience period (Five years for Basic Group I and Special Causes of Loss; Ten years for Basic Group II).

LINE (3)

Full Credibility Earned Risks Standard

To translate the claims standard to an equivalent standard based on earned risks, the claims standard (line (1c) for BGI, (1) for BGII and SCL) is multiplied by the multistate experience period ratio of earned risks to claims (line (2)).

LINE (4)

Experience Period Statewide Earned Risks

This is the number of earned risks in the state for the experience period.

EXPLANATORY NOTES TO TABLE 33, 33A, AND 34 (cont'd)

LINE (5) Experience Period Aggregate Loss Costs

These are the state's experience period adjusted aggregate loss costs.

LINE (6) Statewide Experience Period Ratio of Aggregate Loss Costs to Earned Risks

This ratio is determined by dividing the state's experience period adjusted aggregate loss costs by its experience period earned risks.

LINE (7) Full Credibility Aggregate Loss Costs Standard

To translate the risk standard into an aggregate loss cost standard on a state by state basis, the ratio (line (6)) is multiplied by the full credibility earned risks standard (line (3)).

LINE (8) Credibility

The state's credibility is calculated by using the square root credibility formula:

$$Z = \sqrt{\frac{P}{C}}$$

where Z = credibility,
P = statewide five-year adjusted aggregate loss costs (line (5)), and
C = full credibility aggregate loss costs standard (line (7)).

LINE (9) When the indicated credibility is below 25%, a minimum cap of 25% is assigned to the state credibility in order to reasonably reflect the state's experience in the coverage change calculation.

ARKANSAS
COMMERCIAL PROPERTY INSURANCE

SECTION D - ADDITIONAL SUPPORTING MATERIAL

Basic Group I Rating Group Definitions (Table 36)	D2-6
Special Causes of Loss Category Definitions (Table 37).....	D7
Unadjusted Loss Costs, Incurred Losses, Experience Ratios (Tables 38 - 40)	D8-10
Summary of Basic Group I Data Used in Consolidated Class Relativity Analysis (Tables 41 and 42).....	D11-19
Loss Adjustment Expense Factors (Table 43).....	D20-21

TABLE 36

BASIC GROUP I RATING GROUP DEFINITIONS

THE FOLLOWING CSP CLASSES COMPRISE THE BASIC GROUP I RATING GROUPS

01 APARTMENTS

- 0311 Apartments without Mercantile Occupancies - Up to 10 Units
- 0312 Apartments without Mercantile Occupancies - 11 to 30 Units
- 0313 Apartments without Mercantile Occupancies - Over 30 Units
- 0321 Apartments with Mercantile Occupancies - Up to 10 Units
- 0322 Apartments with Mercantile Occupancies - 11 to 30 Units
- 0323 Apartments with Mercantile Occupancies - Over 30 Units
- 0331 Residential Condominiums without Mercantile Occupancies - Up to 10 Units
- 0332 Residential Condominiums without Mercantile Occupancies - 11 to 30 Units
- 0333 Residential Condominiums without Mercantile Occupancies - Over 30 Units
- 0341 Residential Condominiums with Mercantile Occupancies - Up to 10 Units
- 0342 Residential Condominiums with Mercantile Occupancies - 11 to 30 Units
- 0343 Residential Condominiums with Mercantile Occupancies - Over 30 Units

02 OTHER HABITATIONAL

- 0074 Boarding and Lodging Houses, Rooming Houses, Fraternities and Sororities, Dormitories - Up to 10 Units
- 0075 Boarding and Lodging Houses, Rooming Houses, Fraternities and Sororities, Dormitories - 11 to 30 Units
- 0076 Boarding and Lodging Houses, Rooming Houses, Fraternities and Sororities, Dormitories - Over 30 Units
- 0077 Convents, Monasteries and Rectories, Orphan Homes, Nurses' Homes, Sisters' Homes - Up to 10 Units
- 0078 Convents, Monasteries and Rectories, Orphan Homes, Nurses' Homes, Sisters' Homes - 11 to 30 Units
- 0079 Convents, Monasteries and Rectories, Orphan Homes, Nurses' Homes, Sisters' Homes - Over 30 Units
- 0196 Dwellings Written in Conjunction with Commercial Risks from the Commercial Lines Manual - 1 Family
- 0197 Dwellings Written in Conjunction with Commercial Risks from the Commercial Lines Manual - 2 Family
- 0198 Dwellings Written in Conjunction with Commercial Risks from the Commercial Lines Manual - 3 and 4 Family
- 0300 Large Area Housing Developments (Special Rating Treatment)

03 RESTAURANTS & BARS

- 0541 Bars and Taverns
- 0542 Restaurants with Commercial Cooking
- 0545 Restaurants with Limited Cooking

04 OTHER MERCANTILES

- 0431 Sole Occupancy Mercantile, Over 15,000 Square Feet, Building Coverage, Other than Food Risks
- 0432 Sole Occupancy Mercantile, Over 15,000 Square Feet, Food Risks, Buildings and Personal Property
- 0433 Multiple Occupancy Mercantile, Over 15,000 Square Feet, Building Coverage Only, Not Fire Class Rated
- 0434 Multiple Occupancy Mercantile, Less than 15,000 Square Feet, Building Coverage Only, Not Fire Class Rated
- 0511 Risks Having Low Susceptibility Personal Property, NOC
- 0512 Tire, Battery and Accessory Dealers Without Tire Recapping and Vulcanizing
- 0520 Wearing Apparel, Textiles, Shoes
- 0531 Alcoholic Beverages other than Bars
- 0532 Food Products including Retail Bakeries (no baking and no cooking on premises; sales only); Beverages other than Alcoholic
- 0533 Retail Bakeries - Baking on Premises (No delivery to other outlets)
- 0534 Food Products with Limited Cooking, Excluding Bakeries
- 0550 Motor Vehicle (Auto, Aircraft, Marine) Sales, No Repair
- 0561 Boat and Marine Supply Dealers
- 0562 Drugs
- 0563 Electrical Goods, Hardware and Machinery
- 0564 Furniture and Home Furnishings other than Appliances
- 0565 Jewelry
- 0566 Sporting Goods
- 0567 Risks Having Moderate Susceptibility Personal Property, NOC
- 0570 Risks Having High Susceptibility Personal Property, NOC
- 0580 Greenhouses
- 0581 Multiple Occupancy Mercantile, Fire Class Rated, without furniture Occupant
- 0582 Multiple Occupancy Mercantile, Fire Class Rated, with furniture Occupant

05 PUBLIC BUILDINGS

- 0701 Governmental Offices
- 1000 Penal Institutions
- 1051 Museums, Libraries, Art Galleries (non-profit)
- 1070 Other Public Buildings, Fire Dept., Police, Water/Sewer

06 CHURCHES

- 0900 Churches and Synagogues

07 SCHOOLS

- 1052 Schools, Academic

08 OFFICE AND BANKS

- 0702 Non-Governmental Offices and Banks

09 RECREATIONAL FACILITIES

- 0755 Golf Clubs, Tennis Clubs and Similar Sports Facilities with Cooking
- 0756 Golf Clubs, Tennis Clubs and Similar Sports Facilities without Cooking
- 0757 Clubs, NOC, Including Fraternal and Union Halls
- 0831 Motion Picture Studios
- 0832 Theaters
- 0833 Drive-in Theaters
- 0834 Skating Rinks--Roller Rinks
- 0841 Bowling Alleys
- 0843 Halls and Auditoriums
- 0844 Recreational Facilities, NOC
- 0845 Boys' and Girls' Camps
- 0846 Dance Halls, Ballrooms & Discotheques
- 0951 Gambling Casinos with Restaurants
- 0952 Gambling Casinos without Restaurants

10 HOTELS & MOTELS

- 0742 Motels and Hotels with Restaurant - Up to 10 Units
- 0743 Motels and Hotels with Restaurant - 10 to 30 Units
- 0744 Motels and Hotels with Restaurant - Over 30 Units
- 0745 Motels and Hotels without Restaurant - Up to 10 Units
- 0746 Motels and Hotels without Restaurant - 10 to 30 Units
- 0747 Motels and Hotels without Restaurant - Over 30 Units

11 HOSPITALS & NURSING HOMES

- 0851 Hospitals
- 0852 Nursing and Convalescent Homes

12 BUILDINGS UNDER CONSTRUCTION

- 1150 Buildings Under Construction

13 MOTOR VEHICLE RISKS

- 0931 Auto Parking Garages, Car Washes
- 0932 Gasoline Service Stations
- 0933 Aircraft Hangars with Repairing, Motor Vehicle Repairing Including Auto Body Shops, with or without Sales
- 0934 Tire Recapping and Vulcanizing with or without Sales
- 0940 Aircraft Hangars without Repairing

14 OTHER NON-MANUFACTURING

- 0911 Dry Cleaner and Dyeing Plants, other than Self-Service
- 0912 Laundries, other than Self-Service
- 0913 Self-Service Laundries and Dry Cleaners
- 0921 Light Hazard Service Occupancies
- 0922 Services Occupancies, Other than Light Hazard, NOC
- 0923 Funeral Homes
- 1180 Vacant Buildings
- 1185 Billboards and Signs
- 1190 Yard Property, NOC, Including Property in the Open

15 STORAGE

- 1200 Piers, Wharves, Bridges
- 1211 Freight Terminals
- 1212 General Storage Warehouses - Bailee
- 1213 Miscellaneous Products Storage - (other than Retail or Wholesale or Cold Storage)
- 1220 Household Goods Storage
- 1230 Cold Storage Warehouses
- 1251 Farm Products (other than Grain, Cotton, Tobacco)
- 1252 Grain, Seed, Bean Warehouses
- 1300 Cotton Compresses and Storage
- 1400 Waste and Reclaimed Material, including Yards
- 1450 Whiskey Storage
- 1501 Tobacco Warehouses, Storage
- 1502 Tobacco Sales Warehouses
- 1550 Grain Elevators - Terminal
- 1610 Grain Elevators - Country
- 1650 Building Supply Yards, including Retail Lumberyards, Coal and Coke Yards
- 1700 Mill Yards
- 1751 Oil Distributing, Oil Terminals and LPG Tank Farms, Including Stock
- 1752 Oil Distributing, Oil Terminals and LPG Tank Farms, Excluding Stock

17 FOOD MANUFACTURING

- 2000 Dairy Products
- 2059 Meat, Poultry and Fish Products
- 2150 Grain Milling, Including Feed, Stock, Flour Mills
- 2200 Bakeries and Bakery Products
- 2250 Fruit, Nut and Vegetable Products
- 2300 Sugar, Molasses and Syrup Refining
- 2350 Beverages excluding Alcoholic Beverages
- 2400 Breweries
- 2459 Distilleries and Wineries
- 2550 Tobacco and Tobacco Products
- 2600 Food Products, NOC

18 WOOD MANUFACTURING

- 3809 Basic Wood Production including Veneer and Plywood Plants
- 3959 Furniture and Other Wood Products, NOC

19 WEARING APPAREL

- 2800 Textile Mill Products - Natural and Synthetic
- 3009 Clothing and Apparel including Furs and Finished Products

20 CHEMICAL MANUFACTURING

- 5000 Chemicals and Pharmaceuticals - Low Hazard
- 5050 Chemicals and Pharmaceuticals - Moderate Hazard
- 5100 Chemicals and Pharmaceuticals - High Hazard

21 METAL MANUFACTURING

- 6810 Heavy Metalworking including Basic Metalwork
- 6850 Metalworking, NOC

22 OTHER MANUFACTURING

- 2750 Cotton Gins
- 3409 Leather and Leather Products
- 4400 Paper Manufacturing
- 4450 Paper and Paper Products Processing
- 4809 Printing
- 5500 Plastic Products
- 5759 Rubber Products
- 6009 Stone, Glass, Concrete, Gypsum, Brick, Tile and Clay Products, Abrasives, Plaster and Other Mineral, NOC
- 6210 Mining Other than Coal
- 6250 Coal Mining
- 6900 Precision Products, Electronic, Radio and Television Manufacturing

TABLE 37

SPECIAL CAUSES OF LOSS CATEGORY DEFINITIONS

CATEGORY 01 - BUILDING AND TIME ELEMENT COVERAGE

CATEGORY 02 - APARTMENT AND CONDOMINIUM CONTENTS COVERAGE

CATEGORY 03 - OFFICE CONTENTS COVERAGE

CATEGORY 04 - MERCANTILE/MOTEL-HOTEL/INSTITUTIONAL CONTENTS COVERAGE

Motel/Hotel Risks:	Hotels, motels, motor inns, motor lodges, tourist courts and similar risks whose business is principally the providing of lodging accommodations for transients, including premises and operations necessary or incidental to such lodging accommodations.
Mercantile Risks:	An establishment in which the principal business is the retail or wholesale buying or selling of goods, wares and merchandise. Included are bars, grills and restaurants.
Institutional risks:	An establishment principally occupied by an educational, religious, sanitary, charitable or governmental organization. It does not include buildings containing manufacturing of any kind, or sale, storage, processing, or repair of clothing or furniture, or paper or rag storage, or sorting or supplying of food or lodging to itinerants.

CATEGORY 05 - SERVICE/INDUSTRIAL-PROCESSING/CONTRACTORS CONTENTS COVERAGE

Service Risks:	An establishment in which the principal operation is the providing of a personal or commercial service. Included are establishments providing entertainment or recreation; warehousing of property of others; and automobile risks, such as service, repair or garaging of automobiles and parking lots.
Industrial/ Processing Risks:	An establishment in which the principal activity is the manufacturing of goods and wares or processing of raw materials or finished goods.
Contractors Risks:	An establishment in which the principal operation is that of installation, construction, demolition or maintenance. This includes any owner/contractor, general contractor or sub-contractor whether or not he or she actually performs any part of such work or has employees on the site.

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TABLE 38

BASIC GROUP I

UNADJUSTED AGGREGATE LOSS COSTS, LOSSES, AND EXPERIENCE RATIOS

YEAR	TOTAL UNADJUSTED LOSS COSTS	TOTAL UNADJUSTED INCURRED LOSSES	EXPERIENCE RATIO
2003	10,845,518	8,904,254	0.821
2004	12,434,919	10,112,476	0.813
2005	12,749,262	6,182,260	0.485
2006	12,211,554	9,862,650	0.808
2007	11,440,101	10,995,743	0.961

ARKANSAS
TABLE 39

BASIC GROUP II

UNADJUSTED AGGREGATE LOSS COSTS, LOSSES, AND EXPERIENCE RATIOS

YEAR	TOTAL UNADJUSTED LOSS COSTS	TOTAL UNADJUSTED INCURRED LOSSES	EXPERIENCE RATIO
1998	4,116,921	1,801,825	0.438
1999	3,656,340	13,063,876	3.573
2000	3,503,748	5,023,932	1.434
2001	3,692,675	5,336,655	1.445
2002	4,224,419	4,491,609	1.063
2003	5,466,023	1,671,434	0.306
2004	6,415,896	4,974,034	0.775
2005	7,070,832	1,967,296	0.278
2006	7,500,018	4,918,804	0.656
2007	7,984,168	10,317,922	1.292

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TABLE 40

SPECIAL CAUSES OF LOSS

UNADJUSTED AGGREGATE LOSS COSTS, LOSSES, AND EXPERIENCE RATIOS

YEAR	TOTAL UNADJUSTED LOSS COSTS	TOTAL UNADJUSTED INCURRED LOSSES	EXPERIENCE RATIO
2003	2,434,296	1,922,173	0.790
2004	2,729,842	1,741,340	0.638
2005	2,805,448	1,744,583	0.622
2006	3,005,573	1,939,657	0.645
2007	3,176,305	2,323,737	0.732

OVERVIEW

BASIC GROUP I RATING ID RELATIVITY ANALYSIS

INTRODUCTION

The data displayed on Table 41 are used to calculate marginal relativities for class versus specifically rated risks via a relativity analysis similar to the one discussed in Table 8. However, several distinctions between this procedure and Table 8 should be noted:

- (1) Only full plan data are used since intermediate plan data do not have coding for rating ID.
- (2) Rating groups and types of policies have been consolidated so that there are three TOP groupings and four rating group groupings. The purpose of this consolidation is to minimize the number of cells with little or no experience in order to enhance the credibility of the analysis. Therefore, the analysis takes into account differing rating variable distributions while limiting the number of low-volume cells.

Specifically, the iteration procedure used to determine the rating ID marginal relativities employs the following formulas:

$$TOP_i = \frac{\sum_{j=1}^n \sum_{k=1}^t W_{ijk}^2 R_{ijk} RG_j RID_k}{\sum_{j=1}^n \sum_{k=1}^t W_{ijk}^2 RG_j^2 RID_k^2}, \quad \text{where } 1 \leq i \leq m;$$

$$RG_j = \frac{\sum_{i=1}^t \sum_{k=1}^m W_{ijk}^2 R_{ijk} TOP_i RID_k}{\sum_{i=1}^t \sum_{k=1}^m W_{ijk}^2 TOP_i^2 RID_k^2}, \quad \text{where } 1 \leq j \leq n;$$

$$RID_k = \frac{\sum_{i=1}^n \sum_{j=1}^m W_{ijk}^2 R_{ijk} TOP_i RG_j}{\sum_{i=1}^n \sum_{j=1}^m W_{ijk}^2 TOP_i^2 RG_j^2}, \quad \text{where } 1 \leq k \leq t;$$

BASIC GROUP I RATING ID RELATIVITY ANALYSIS (cont'd)

- TOP_i is the relativity for the i^{th} consolidated type of policy;
- RG_j is the relativity for the j^{th} consolidated rating group;
- RID_k is the relativity for the k^{th} rating ID;
- W_{ijk} is the aggregate loss cost volume for the i^{th} consolidated type of policy, j^{th} consolidated rating group, and k^{th} rating ID;
- R_{ijk} is the experience ratio relativity for the i^{th} consolidated type of policy, j^{th} consolidated rating group, and k^{th} rating ID;
- m is the number of consolidated types of policy in the analysis;
- n is the number of consolidated rating groups in the analysis;
- t is the number of rating ID's in the analysis.

The procedure determines m consolidated type of policy relativities using the above formulas. Then, using those results, a set of n consolidated rating group and t rating ID relativities are determined. These steps form an iterative process which continues until there is no appreciable difference in results from one iteration to the next.

Although the procedure determines marginal relativities for three rating variables - consolidated TOP, consolidated rating group, and rating ID - only the rating ID results are retained. These rating ID relativities appear on Table 8 and are used in conjunction with the simultaneous procedure presented in that table. Specifically, the rating ID relativities described above along with the other marginal relativities determined on Table 8 are used to calculate the loss cost level changes by rating group and rating ID appearing on Table 2.

ENTIRE STATE: SPECIFIC RATED

ARKANSAS

BASIC GROUP I RELATIVITY ANALYSIS

TABLE 41 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	RATING GROUP	(1)		(2)		(3)		RELATIVITY
		ACCIDENT YEAR	5 - YEAR	5 - YEAR	5 - YEAR			
		ENDING 03/31/07	AGGREGATE	AGGREGATE	EXPERIENCE			
		AGGREGATE LOSS	LOSS COSTS	LOSS COSTS	RATIO			
		COSTS						
10 MONOLINE	01 - 02	42,344	138,506	0.000	0.000	0.000		
	03 - 04	71,953	348,120	0.854	0.854	1.360		
	05 - 15	195,770	854,727	1.065	1.065	1.696		
	17 - 22	590,016	1,796,083	0.593	0.593	0.944		
	TOTAL*	900,083	3,137,436	0.689	0.689	1.097		
31-35 MULTILINE	01 - 02	120,589	551,959	1.427	1.427	2.272		
	03 - 04	1,966,756	10,365,898	0.880	0.880	1.401		
	05 - 15	2,020,232	9,725,575	0.377	0.377	0.600		
	TOTAL*	4,107,577	20,643,432	0.649	0.649	1.033		
	36-38 MULTILINE	03 - 04	193,821	873,749	0.805	0.805	1.282	
05 - 15		685,592	3,499,390	0.149	0.149	0.237		
17 - 22		1,330,087	7,397,333	0.914	0.914	1.455		
TOTAL*		2,209,500	11,770,472	0.667	0.667	1.062		
TOTAL ALL TOPS*		01 - 02	162,933	690,465	1.056	1.056	1.682	
	03 - 04	2,232,530	11,587,767	0.873	0.873	1.390		
	05 - 15	2,901,594	14,079,692	0.370	0.370	0.589		
	17 - 22	1,920,103	9,193,416	0.815	0.815	1.298		
	TOTAL*	7,217,160	35,551,340	0.659	0.659	1.049		

* TOTALS IN COLUMNS (3) & (4) ARE AVERAGES USING COLUMN (1) AS WEIGHTS.

ENTIRE STATE: CLASS RATED

ARKANSAS

BASIC GROUP I RELATIVITY ANALYSIS

TABLE 41 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	RATING GROUP	(1)		(2)		(3)	(4)
		ACCIDENT YEAR	5 - YEAR	5 - YEAR	5 - YEAR	RELATIVITY	
		ENDING 03/31/07	AGGREGATE	AGGREGATE	EXPERIENCE		
		AGGREGATE LOSS	LOSS COSTS	LOSS COSTS	RATIO		
		COSTS					
10 MONOLINE	01 - 02	73,261	350,385	0.649	1.033		
	03 - 04	183,741	732,110	0.431	0.686		
	05 - 15	529,653	2,221,899	1.022	1.627		
	17 - 22	12,813	52,887	0.000	0.000		
	TOTAL*	799,468	3,357,281	0.836	1.331		
31-35 MULTILINE	01 - 02	679,497	2,554,275	0.527	0.839		
	03 - 04	1,188,728	4,873,343	0.491	0.782		
	05 - 15	4,298,060	17,775,685	0.506	0.806		
	TOTAL*	6,166,285	25,203,303	0.505	0.804		
	36-38 MULTILINE	03 - 04	375,739	1,759,427	1.364	2.172	
05 - 15		1,092,375	4,847,501	0.781	1.244		
17 - 22		166,210	417,234	0.143	0.228		
TOTAL*		1,634,324	7,024,162	0.850	1.354		
TOTAL ALL TOPS*		01 - 02	752,758	2,904,660	0.539	0.858	
	03 - 04	1,748,208	7,364,880	0.672	1.070		
	05 - 15	5,920,088	24,845,085	0.603	0.960		
	17 - 22	179,023	470,121	0.133	0.212		
	TOTAL*	8,600,077	35,584,746	0.602	0.959		

* TOTALS IN COLUMNS (3) & (4) ARE AVERAGES USING COLUMN (1) AS WEIGHTS.

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ENTIRE STATE: COMBINED (CLASS & SPECIFIC)

ARKANSAS

BASIC GROUP I RELATIVITY ANALYSIS

TABLE 41 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	RATING GROUP	(1)		(2)		(3)	(4)
		ACCIDENT YEAR	5 - YEAR	5 - YEAR	RELATIVITY		
		ENDING 03/31/07	AGGREGATE	EXPERIENCE			
		AGGREGATE LOSS	LOSS COSTS	RATIO			
		COSTS					
10 MONOLINE	01 - 02	115,605	488,891	0.411	0.654		
	03 - 04	255,694	1,080,230	0.550	0.876		
	05 - 15	725,423	3,076,626	1.034	1.646		
	17 - 22	602,829	1,848,970	0.580	0.924		
	TOTAL*	1,699,551	6,494,717	0.758	1.207		
31-35 MULTILINE	01 - 02	800,086	3,106,234	0.663	1.056		
	03 - 04	3,155,484	15,239,241	0.733	1.167		
	05 - 15	6,318,292	27,501,260	0.465	0.740		
	TOTAL*	10,273,862	45,846,735	0.563	0.896		
	36-38 MULTILINE	03 - 04	569,560	2,633,176	1.174	1.869	
05 - 15		1,777,967	8,346,891	0.537	0.855		
17 - 22		1,496,297	7,814,567	0.828	1.318		
TOTAL*		3,843,824	18,794,634	0.745	1.186		
TOTAL ALL TOPS*		01 - 02	915,691	3,595,125	0.631	1.005	
	03 - 04	3,980,738	18,952,647	0.785	1.250		
	05 - 15	8,821,682	38,924,777	0.526	0.838		
	17 - 22	2,099,126	9,663,537	0.757	1.205		
	TOTAL*	15,817,237	71,136,086	0.628	1.000		

* TOTALS IN COLUMNS (3) & (4) ARE AVERAGES USING COLUMN (1) AS WEIGHTS.

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EXPLANATORY NOTES TO TABLE 41

BASIC GROUP I CONSOLIDATED RELATIVITY ANALYSIS
SUMMARY OF EXPERIENCE USED

INTRODUCTION

The experience used in the relativity analysis and displayed in Table 41 is the latest five accident years of data reported under the Full Plan of the CSP. As in the overall review, loss costs have been adjusted to current ISO loss cost and prospective amount of insurance levels (with multiline aggregate loss costs adjusted additionally by the current implicit package modification factors). Incurred losses are adjusted to prospective cost levels, and are further adjusted by the Basic Group I large loss procedure. Losses have also been developed to their ultimate settlement value by application of loss development factors.

COLUMN (1)

2007 ADJUSTED AGGREGATE LOSS COSTS

The latest accident year adjusted aggregate loss costs (adjusted as described above) are used as weights both in the calculation of any totals shown in this table and in the iterative formulae used in the simultaneous review procedure.

COLUMN (2)

2003 - 2007 ADJUSTED AGGREGATE LOSS COSTS

The combined five-year adjusted aggregate loss costs (adjusted as described above) are used to calculate the experience ratios in column (3).

COLUMN (3)

FIVE-YEAR EXPERIENCE RATIOS

These are the ratio of the combined five-year adjusted incurred losses (adjusted as described above) to the combined five-year adjusted aggregate loss costs as shown in column (2). Any totals which are shown are weighted averages using the adjusted aggregate loss costs in column (1).

COLUMN (4)

RELATIVITIES

The relativities are the ratios of the five-year experience ratios shown in column (3) to the average five-year experience ratio for all TOP's, rating groups and rating IDs. These relativities represent how much better or worse than average the experience for a given cell is. They are used along with the aggregate adjusted loss costs in column (1) as input in the procedure used to calculate rating ID relativities. Again, any totals which are shown are weighted averages.

ARKANSAS
TABLE 42
BASIC GROUP I FULL PLAN LOSS COST INFORMATION BY RATING ID

SPECIFICALLY RATED DATA

(1)	(2)	(3)	(4)
YEAR	ADJUSTED* AGGR. LOSS COSTS	ADJUSTED ** INCURRED LOSSES	EXP. RATIO (3) / (2)
2003	6,943,756	7,711,966	1.111
2004	7,125,220	5,296,220	0.743
2005	7,143,117	1,762,702	0.247
2006	7,122,087	4,905,033	0.689
2007	7,217,160	4,168,914	0.578

CLASS RATED DATA

(1)	(2)	(3)	(4)
YEAR	ADJUSTED* AGGR. LOSS COSTS	ADJUSTED ** INCURRED LOSSES	EXP. RATIO (3) / (2)
2003	6,311,436	4,902,936	0.777
2004	6,653,758	4,032,390	0.606
2005	6,544,431	5,508,758	0.842
2006	7,475,044	3,979,743	0.532
2007	8,600,077	3,369,412	0.392

* ALL LOSS COSTS ARE ADJUSTED TO CURRENT ISO LEVEL AND 4/1/2009 AMOUNT OF INSURANCE LEVELS.

** INCURRED LOSSES ARE ADJUSTED TO 10/1/2009 COST LEVELS INCLUDING LOSS DEVELOPMENT AND ARE LOADED TO INCLUDE LOSS ADJUSTMENT EXPENSE BY APPLYING A FACTOR OF 1.095.

EXPLANATORY NOTES TO TABLE 42

BASIC GROUP I FULL PLAN LOSS COST INFORMATION BY RATING ID

INTRODUCTION

Table 42 exhibits the data used to calculate the rating ID relativities, i.e. the relativities for specifically-rated versus class-rated risks. This table is based on data collected under the Commercial Statistical Plan (CSP). Only full plan data are included since the intermediate plan data do not have the rating ID detail required for this analysis.

COLUMN (1)

EXPERIENCE PERIOD

Experience for the five most recent fiscal accident years is used. Experience compiled on an accident year basis compares the losses incurred on accidents occurring during a given year with the aggregate loss cost earned during that year.

COLUMN (2)

ADJUSTED AGGREGATE LOSS COSTS

Since the objective of the ratemaking procedure is to test the adequacy of the current ISO loss costs, premium data for each year in the experience period are adjusted to the loss cost level which would have been earned had the current loss costs been in effect. This is accomplished by using either an extension-of-exposures (PPR or premium at present rates/loss costs) approach or an on-level approach.

Extension of Exposures Approach

Where feasible, aggregate loss costs at current level (ALCCL) are developed using an extension-of-exposures approach. That is, the exposure (amount of insurance per \$100) for each policy is multiplied by the current manual loss cost for that state, territory, subline, coverage, construction, occupancy and by any other applicable rating factors, such as deductible relativities or protection class factors.

On-level Approach

The on-level approach is applied on an individual policy basis by multiplying the reported premiums by a factor equal to the product of all loss cost level changes effective after the inception date of the policy. Since it is the ISO manual loss cost which is being tested, the reported aggregate premiums are next adjusted to the ISO monoline manual level. This is also done on an individual policy basis using the reported loss cost multipliers and rating modification factors.

The on-level approach is used to adjust those premium records which cannot be adjusted using the extension-of-exposures techniques, for example, premium records for Basic Group I specifically-rated properties, for which manual loss costs do not exist. In addition, records failing an exposure edit which checks for a reasonable relationship between reported premium and exposure amount have also been on-leveled.

EXPLANATORY NOTES TO TABLE 42 (cont'd)
BASIC GROUP I FULL PLAN LOSS COST INFORMATION BY RATING ID

COLUMN (2)
(cont'd)

Current IPMF and Prospective Amount of Insurance Levels

Premiums are also adjusted to prospective amount of insurance levels by exposure trend factors to reflect the impact of inflation on the average amount of insurance written (Table 24). After multiline premiums are brought to current ISO monoline manual level, they are further adjusted to implicit package modification factor (IPMF) level by the application of Commercial Package Policy (CPP) IPMF's which vary by the eight CPP types of policy. (Both the adjustments to prospective amount of insurance level and to current IPMF level are done on an aggregate basis.) For a more complete description of the IPMF's and the other premium adjustments, refer to Tables 18 through 20 in the supporting material.

Lastly, the domestic terrorism loading is excluded from the Aggregate Loss Costs at Current Level (ALCCL) so that both the ALCCL and adjusted incurred losses (which exclude terrorism losses) are on a non-terrorism basis.

COLUMN (3)

ADJUSTED INCURRED LOSSES

In order to assure the adequacy of the proposed loss cost level, incurred losses are adjusted to reflect the effect of inflation and other trends on loss costs. The adjustment of past losses to prospective levels is accomplished on an individual loss basis by application of current cost factors, loss projection factors, loss trend adjustments and loss development factors. In addition to adjusting losses to prospective cost level, the effect of inflation on the deductible portion of the loss incurred is reflected.

Incurred losses are further adjusted by an excess loss procedure which smoothes the fluctuations in the experience due to large fire losses. This procedure removes any excess losses from the incurred loss experience and applies multistate excess loss factors by construction, protection and exposure to the resultant state normal losses to generate the adjusted incurred losses. The resulting adjusted incurred losses are then developed to their ultimate settlement value and loaded by a factor to include all loss adjustment expenses (refer to the footnote on the bottom of page for this factor).

For a more complete description of the adjustment procedures refer to the supporting material in Section C.

COLUMN (4)

EXPERIENCE RATIO

The experience ratio is the ratio of adjusted incurred losses to adjusted aggregate loss costs for each year.

OVERVIEW

LOSS ADJUSTMENT EXPENSE FACTORS

OBJECTIVE	The reported indemnity losses must be loaded for any loss adjustment expenses (LAE) that are not reported in statistical detail to ISO.						
PROPERTY COVERAGES	For the property coverages, only the incurred indemnity losses are reported to ISO under the Commercial Statistical Plan. All loss adjustment expenses must be loaded in. A factor representing the ratio of incurred losses plus all LAE to incurred losses was selected based on multistate financial data (see Table 43 for the underlying data).						
EXPERIENCE INCLUDED	<p>The terrorism events of 9/11/2001 had a significant impact on incurred losses and loss adjustment expenses for Fire and Allied Lines. Loss reserves were set up by year-end 2001, and in the following years some insurers reduced those reserves while incurring significant loss adjustment expenses. This resulted in unusually low loss adjustment expense to incurred loss ratios (LAE ratios) for 2001 and higher LAE ratios in 2002, 2003, and 2004. To adjust for the distorting effects of 9/11, LAE ratios were calculated for the industry excluding major writers affected by the event, in addition to the industry LAE ratios. The 1996-2000 five-year average LAE ratio for the industry was then divided by the 1996-2000 five-year average LAE ratio for the industry excluding major companies affected by 9/11. This ratio was then applied to the 2001, 2002, 2003 and 2004 LAE ratios for the industry excluding major writers affected by 9/11 to arrive at adjusted industry LAE ratios for those years. The adjusted factors are shown on Table 43.</p> <p>For Allied Lines, the 2005 and 2006 loss adjustment expense ratios [Table 43, line (3)(b)] are distorted by the impact of catastrophic hurricane losses in 2005. The selected Allied Lines loss adjustment expense factors used for this review were selected after consideration of this distortion and based on a review of average loss adjustment expense ratios over a longer time period.</p>						
SELECTED FACTORS	<p>The following factors have been used in this review to load incurred losses for all loss adjustment expenses:</p> <table><tr><td>Basic Group I</td><td>1.095</td></tr><tr><td>Basic Group II</td><td>1.100</td></tr><tr><td>Special Causes of Loss</td><td>1.100</td></tr></table>	Basic Group I	1.095	Basic Group II	1.100	Special Causes of Loss	1.100
Basic Group I	1.095						
Basic Group II	1.100						
Special Causes of Loss	1.100						

TABLE 43

FIRE AND ALLIED LINES INSURANCE
COUNTRYWIDE LOSS ADJUSTMENT EXPENSE EXPERIENCE (A)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Selected</u>
(1) Fire						
(a) Direct Losses Incurred	2,628,944	3,596,436	3,087,347	4,984,919	4,185,340	
(b) Direct Loss Adjustment Expense Incurred	331,120	365,907	359,823	399,000	405,223	
(2) Allied Lines						
(a) Direct Losses Incurred	2,249,588	3,264,045	5,992,816	15,094,988	2,825,038	
(b) Direct Loss Adjustment Expense Incurred	369,794	433,387	495,543	692,213	592,526	
(3) Loss Adjustment Expense as a Ratio to Losses						
(a) Fire (1b) / (1a)	12.6%	10.2%	11.7%	8.0%	9.7%	9.5%
Adjusted to remove the distortion due to 9/11/01 terrorism events	10.1%	9.6%	9.1%			
(b) Allied Lines (2b) / (2a)	16.4%	13.3%	8.3%	4.6%	21.0%	10.0%
Adjusted to remove the distortion due to 9/11/01 terrorism events	12.2%	12.1%	7.3%			

NOTE: All dollar amounts are displayed in thousands.

(A) Items (1) and (2) are based on Insurance Expense Exhibit information compiled by A. M. Best.

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ARKANSAS
COMMERCIAL PROPERTY INSURANCE

SECTION E - REVISED LOSS COST PAGES

Basic Group II Loss Costs	E2
Special Causes of Loss Loss Costs	E3
Basic Group I Loss Costs.....	E4-14

The revised Basic Group I Loss Costs do NOT include a provision for domestic terrorism losses.

70. CAUSES OF LOSS – BASIC FORM

E. Rating Procedure**2. Property Damage – Group II Causes Of Loss****d. Loss Costs**

- (1) Determine the Basic Group II symbol from the specific publication or from Rule 70.E.2.a.
- (2) For Symbols AA, A, AB and B, use the applicable rate.
- (3) For symbols with numerical prefixes, multiply the applicable rate by the prefix shown in Rule 70.E.2.a.

Symbol	Loss Cost
AA	<u>.052</u> 0.054
A	<u>.058</u> 0.064
AB	<u>.111</u> 0.116
B	<u>.173</u> 0.184

72. CAUSES OF LOSS – SPECIAL FORM

E.2. Rating Procedure – Property Damage – Other Than Builders' Risk

b.(1) Building Coverage – Loss Costs

	Construction	
	Modified Fire Resistive and Fire Resistive	All Other
Including Theft	.015-.017	.037-.042
Excluding Theft	.014-.016	.033-.037

c. Personal Property Coverage (Excluding Theft) (Subline Code 045)

Loss Cost .019

d. Personal Property Coverage (Including Theft) (Subline Code 035)

(1) Apartments and Condominiums

Loss Cost .207-.227

(2) Offices

Loss Cost Increment \$54\$55

(3)(c) All Other Personal Property

SPECIAL FORM – ALL OTHER PERSONAL PROPERTY TERRITORIES AND BASE LOSS COSTS		
Territory (County)	BASE LOSS COSTS	
	Mercantile, Motel/Hotel and Institutional Risks	Industrial and Processing, Service and Contractors Risks
Entire State	<u>.039-.038</u>	<u>.042-.043</u>

Note

The Theft increment is developed by multiplying the base rate by a relativity. Refer to Rule 72.E.2.d.(3)(b) and (c) in the multistate rules for detailed information and relativities.

85. BASIC GROUP I CLASS LOSS COSTS

All rates are subject to protection class and territorial multipliers.

0074 – 0312 – CSP CLASS CODES

CSP Class Codes And Description						
0074	Boarding and Lodging Houses, Rooming Houses, Fraternities and Sororities, Dormitories – Up to 10 Units					
0075	Boarding and Lodging Houses, Rooming Houses, Fraternities and Sororities, Dormitories – 11 to 30 Units					
0076	Boarding and Lodging Houses, Rooming Houses, Fraternities and Sororities, Dormitories – Over 30 Units					
0077	Convents, Monasteries and Rectories, Orphan Homes, Nurses' Homes, Sisters' Homes – Up to 10 Units					
0078	Convents, Monasteries and Rectories, Orphan Homes, Nurses' Homes, Sisters' Homes – 11 to 30 Units					
0079	Convents, Monasteries and Rectories, Orphan Homes, Nurses' Homes, Sisters' Homes – Over 30 Units					
0196	1 Family Dwellings (Lessor's Risk)					
0197	2 Family Dwellings (Lessor's Risk)					
0198	3 or 4 Family Dwellings (Lessor's Risk)					
0311	Apartments without Mercantile Occupancies – Up to 10 Units					
0312	Apartments without Mercantile Occupancies – 11 to 30 Units					

CSP Class Code	Coverage	Construction (Code)				
		Frame (1)	Joisted Masonry (2)	Non-Comb. (3)	Mas. Non-Comb. (4)	Mod. F.R. (5) Or Fire Res. (6)
0074	Building (1)	0.175	0.141	0.122	0.099	0.078
	Contents (2)	0.202	0.162	0.142	0.112	0.090
0075	Building (1)	0.175	0.141	0.122	0.099	0.078
	Contents (2)	0.202	0.162	0.142	0.112	0.090
0076	Building (1)	0.175	0.141	0.122	0.099	0.078
	Contents (2)	0.202	0.162	0.142	0.112	0.090
0077	Building (1)	0.156	0.125	0.110	0.088	0.070
	Contents (2)	0.181	0.146	0.125	0.101	0.080
0078	Building (1)	0.156	0.125	0.110	0.088	0.070
	Contents (2)	0.181	0.146	0.125	0.101	0.080
0079	Building (1)	0.156	0.125	0.110	0.088	0.070
	Contents (2)	0.181	0.146	0.125	0.101	0.080
0196	Building (1)	0.132	0.104	0.092	0.074	0.059
	Contents (2)	0.153	0.122	0.107	0.086	0.069
0197	Building (1)	0.132	0.107	0.093	0.074	0.059
	Contents (2)	0.155	0.123	0.109	0.086	0.069
0198	Building (1)	0.151	0.121	0.104	0.085	0.068
	Contents (2)	0.175	0.141	0.122	0.097	0.078
0311	Building (1)	0.274	0.236	0.194	0.160	0.128
	Contents (2)	0.340	0.290	0.241	0.194	0.160
0312	Building (1)	0.274	0.236	0.194	0.160	0.128
	Contents (2)	0.340	0.290	0.241	0.194	0.160
Territory					Territorial Multiplier	
Entire State (Arkansas)					1.000	

85. BASIC GROUP I CLASS LOSS COSTS (cont'd)

All rates are subject to protection class and territorial multipliers.

0313 – 0333 – CSP CLASS CODES

CSP Class Codes And Description						
0313	Apartments without Mercantile Occupancies – Over 30 Units					
0321	Apartments with Mercantile Occupancies – Up to 10 Units					
0322	Apartments with Mercantile Occupancies – 11 to 30 Units					
0323	Apartments with Mercantile Occupancies – Over 30 Units					
0331	Residential Condominiums without Mercantile Occupancies – Up to 10 Units					
0332	Residential Condominiums without Mercantile Occupancies – 11 to 30 Units					
0333	Residential Condominiums without Mercantile Occupancies – Over 30 Units					
CSP Class Code	Coverage	Construction (Code)				
		Frame (1)	Joisted Masonry (2)	Non-Comb. (3)	Mas. Non-Comb. (4)	Mod. F.R. (5) Or Fire Res. (6)
0313	Building (1)	0.274	0.236	0.194	0.160	0.128
	Contents (2)	0.340	0.290	0.241	0.194	0.160
0321	Building (1)	0.463	0.397	0.332	0.266	0.216
	Contents (2)					
	A	0.526	0.452	0.373	0.304	0.246
	B&C	0.617	0.529	0.436	0.354	0.289
0322	Building (1)	0.463	0.397	0.332	0.266	0.216
	Contents (2)					
	A	0.526	0.452	0.373	0.304	0.246
	B&C	0.617	0.529	0.436	0.354	0.289
0323	Building (1)	0.328	0.282	0.236	0.190	0.153
	Contents (2)					
	A	0.373	0.320	0.266	0.216	0.175
	B&C	0.436	0.375	0.310	0.251	0.206
0331	Building (1)	0.137	0.117	0.097	0.079	0.065
	Contents (2)	0.170	0.146	0.120	0.097	0.079
0332	Building (1)	0.137	0.117	0.097	0.079	0.065
	Contents (2)	0.170	0.146	0.120	0.097	0.079
0333	Building (1)	0.137	0.117	0.097	0.079	0.065
	Contents (2)	0.170	0.146	0.120	0.097	0.079
Territory					Territorial Multiplier	
Entire State (Arkansas)					1.000	

85. BASIC GROUP I CLASS LOSS COSTS (cont'd)

All rates are subject to protection class and territorial multipliers.

0341 – 0531 – CSP CLASS CODES

CSP Class Codes And Description						
0341	Residential Condominiums with Mercantile Occupancies – Up to 10 Units					
0342	Residential Condominiums with Mercantile Occupancies – 11 to 30 Units					
0343	Residential Condominiums with Mercantile Occupancies – Over 30 Units					
0511	Mercantile – Sole Occupancy Only – Not Otherwise Classified – Low Susceptibility					
0512	Mercantile – Sole Occupancy Only – Tire, Battery and Accessory Dealers without Tire Recapping and Vulcanizing					
0520	Mercantile – Sole Occupancy Only – Wearing Apparel, Textiles, Shoes					
0531	Mercantile – Sole Occupancy Only – Alcoholic Beverages other than Bars					

CSP Class Code	Coverage	Construction (Code)				
		Frame (1)	Joisted Masonry (2)	Non-Comb. (3)	Mas. Non-Comb. (4)	Mod. F.R. (5) Or Fire Res. (6)
0341	Building (1)	0.232	0.198	0.166	0.133	0.108
	Contents (2)					
	A	0.263	0.228	0.187	0.152	0.124
	B&C	0.309	0.265	0.219	0.177	0.144
0342	Building (1)	0.232	0.198	0.166	0.133	0.108
	Contents (2)					
	A	0.263	0.228	0.187	0.152	0.124
	B&C	0.309	0.265	0.219	0.177	0.144
0343	Building (1)	0.165	0.140	0.117	0.094	0.077
	Contents (2)					
	A	0.187	0.160	0.133	0.108	0.088
	B&C	0.219	0.188	0.155	0.126	0.102
0511	Building (1)	0.255	0.192	0.152	0.126	0.100
	Contents (2)	0.277	0.206	0.169	0.133	0.118
0512	Building (1)	0.239	0.181	0.144	0.118	0.094
	Contents (2)	0.225	0.167	0.137	0.107	0.096
0520	Building (1)	0.291	0.218	0.173	0.145	0.114
	Contents (2)	0.338	0.251	0.206	0.163	0.145
0531	Building (1)	0.234	0.174	0.137	0.114	0.092
	Contents (2)	0.240	0.180	0.147	0.116	0.103
Territory					Territorial Multiplier	
Entire State (Arkansas)					1.000	

85. BASIC GROUP I CLASS LOSS COSTS (cont'd)

All rates are subject to protection class and territorial multipliers.

0532 – 0564 – CSP CLASS CODES

CSP Class Codes And Description						
0532	Merc – Sole Occy Only – Food Products Inc. Retail Bakeries; Non-Alcoholic Beverages (Sales Only – No Baking or Cooking)					
0533	Mercantile – Sole Occupancy Only – Baking on Premises, No Delivery to Outlets					
0534	Mercantile – Sole Occupancy Only – Food Products with Limited Cooking, Excluding Bakeries					
0541	Mercantile – Sole Occupancy Only – Bars and Taverns					
0545	Mercantile – Sole Occupancy Only – Restaurants with Limited Cooking					
0550	Mercantile – Sole Occupancy Only – Motor Vehicles, No Repair					
0561	Mercantile – Sole Occupancy Only – Boat and Marine Supply Dealers					
0562	Mercantile – Sole Occupancy Only – Drugs					
0563	Mercantile – Sole Occupancy Only – Electrical Goods, Hardware and Machinery					
0564	Mercantile – Sole Occupancy Only – Furniture and Home Furnishings other than Appliances					
CSP Class Code	Coverage	Construction (Code)				
		Frame (1)	Joisted Masonry (2)	Non-Comb. (3)	Mas. Non-Comb. (4)	Mod. F.R. (5) Or Fire Res. (6)
0532	Building (1)	0.371	0.277	0.221	0.184	0.146
	Contents (2)	0.328	0.242	0.200	0.157	0.141
0533	Building (1)	0.335	0.251	0.201	0.167	0.133
	Contents (2)	0.332	0.245	0.202	0.160	0.144
0534	Building (1)	0.386	0.289	0.230	0.190	0.152
	Contents (2)	0.415	0.306	0.251	0.199	0.178
0541	Building (1)	0.632	0.536	0.462	0.333	0.284
	Contents (2)	0.644	0.547	0.467	0.339	0.289
0545	Building (1)	0.683	0.577	0.495	0.361	0.306
	Contents (2)	0.695	0.587	0.503	0.366	0.312
0550	Building (1)	0.234	0.174	0.140	0.114	0.092
	Contents (2)	0.283	0.211	0.173	0.137	0.122
0561	Building (1)	0.248	0.186	0.148	0.122	0.097
	Contents (2)	0.298	0.220	0.183	0.144	0.128
0562	Building (1)	0.238	0.178	0.144	0.118	0.094
	Contents (2)	0.298	0.220	0.180	0.144	0.127
0563	Building (1)	0.274	0.207	0.163	0.136	0.109
	Contents (2)	0.229	0.169	0.140	0.109	0.097
0564	Building (1)	0.354	0.267	0.211	0.174	0.140
	Contents (2)	0.423	0.313	0.257	0.204	0.183
Territory					Territorial Multiplier	
Entire State (Arkansas)					1.000	

85. BASIC GROUP I CLASS LOSS COSTS (cont'd)

All rates are subject to protection class and territorial multipliers.

0565 – 0582 – CSP CLASS CODES

CSP Class Codes And Description						
0565	Mercantile – Sole Occupancy Only – Jewelry					
0566	Mercantile – Sole Occupancy Only – Sporting Goods					
0567	Mercantile – Sole Occupancy Only – Not Otherwise Classified – Moderate Susceptibility					
0570	Mercantile – Sole Occupancy Only – Not Otherwise Classified – High Susceptibility					
0580	Greenhouses – Sole Occupancy Only					
0581	Mercantile – Multiple Occupancy without 0564 Occupant					
0582	Mercantile – Multiple Occupancy with 0564 Occupant					

CSP Class Code	Coverage	Construction (Code)				
		Frame (1)	Joisted Masonry (2)	Non-Comb. (3)	Mas. Non-Comb. (4)	Mod. F.R. (5) Or Fire Res. (6)
0565	Building (1)	0.248	0.186	0.148	0.122	0.097
	Contents (2)	0.229	0.169	0.140	0.109	0.097
0566	Building (1)	0.272	0.205	0.162	0.133	0.107
	Contents (2)	0.289	0.213	0.175	0.140	0.125
0567	Building (1)	0.250	0.188	0.148	0.124	0.097
	Contents (2)	0.276	0.204	0.167	0.133	0.118
0570	Building (1)	0.250	0.188	0.148	0.122	0.097
	Contents (2)	0.280	0.209	0.172	0.136	0.121
0580	Building (1)	0.239	0.181	0.144	0.118	0.096
	Contents (2)	0.287	0.212	0.175	0.140	0.122
0581	Building (1)	0.238	0.178	0.144	0.118	0.094
	Contents (2)					
	A	0.265	0.195	0.161	0.127	0.113
	B	0.323	0.240	0.195	0.152	0.140
0582	C	0.294	0.218	0.178	0.141	0.127
	Building (1)	0.264	0.199	0.158	0.131	0.104
	Contents (2)					
	A	0.268	0.198	0.163	0.128	0.116
	B	0.325	0.242	0.198	0.157	0.141
	C	0.296	0.220	0.180	0.144	0.128
Territory					Territorial Multiplier	
Entire State (Arkansas)					1.000	

85. BASIC GROUP I CLASS LOSS COSTS (cont'd)

All rates are subject to protection class and territorial multipliers.

0701 – 0747 – CSP CLASS CODES

CSP Class Codes And Description						
0701	Government Offices					
0702	Banks and Offices other than Governmental					
0742	Motels and Hotels with Limited Cooking Restaurant – Up to 10 Units					
0743	Motels and Hotels with Limited Cooking Restaurant – 11 to 30 Units					
0744	Motels and Hotels with Limited Cooking Restaurant – Over 30 Units					
0745	Motels and Hotels without Restaurant – Up to 10 Units					
0746	Motels and Hotels without Restaurant – 11 to 30 Units					
0747	Motels and Hotels without Restaurant – Over 30 Units					

CSP Class Code	Coverage	Construction (Code)				
		Frame (1)	Joisted Masonry (2)	Non-Comb. (3)	Mas. Non-Comb. (4)	Mod. F.R. (5) Or Fire Res. (6)
0701	Building (1)	0.108	0.092	0.071	0.061	0.053
	Contents (2)					
	A	0.112	0.095	0.073	0.065	0.056
	B	0.164	0.141	0.108	0.096	0.081
	C	0.128	0.110	0.085	0.073	0.064
0702	Building (1)	0.254	0.193	0.149	0.123	0.099
	Contents (2)					
	A	0.294	0.222	0.173	0.142	0.113
	B	0.407	0.308	0.240	0.198	0.159
	C	0.361	0.273	0.212	0.178	0.140
0742	Building (1)	0.589	0.478	0.437	0.340	0.288
	Contents (2)	0.688	0.557	0.508	0.393	0.340
0743	Building (1)	0.589	0.478	0.437	0.340	0.288
	Contents (2)	0.688	0.557	0.508	0.393	0.340
0744	Building (1)	0.385	0.313	0.286	0.218	0.188
	Contents (2)	0.452	0.366	0.332	0.258	0.223
0745	Building (1)	0.270	0.218	0.200	0.155	0.132
	Contents (2)	0.315	0.256	0.232	0.179	0.155
0746	Building (1)	0.270	0.218	0.200	0.155	0.132
	Contents (2)	0.315	0.256	0.232	0.179	0.155
0747	Building (1)	0.176	0.142	0.131	0.101	0.087
	Contents (2)	0.207	0.167	0.151	0.117	0.103

Territory	Territorial Multiplier
Entire State (Arkansas)	1.000

85. BASIC GROUP I CLASS LOSS COSTS (cont'd)

All rates are subject to protection class and territorial multipliers.

0755 – 0845 – CSP CLASS CODES

CSP Class Codes And Description						
0755	Golf, Tennis and Similar Sport Facilities with Limited Cooking					
0756	Golf, Tennis and Similar Sport Facilities without Cooking					
0757	Clubs, Not Otherwise Classified, Including Fraternal and Union Halls					
0831	Motion Picture Studios					
0832	Theaters Excluding Drive-in Theaters					
0833	Drive-in Theaters					
0834	Skating Rinks – Roller Rinks					
0841	Bowling Alleys without Cooking					
0843	Halls and Auditoriums					
0844	Recreational Facilities, Not Otherwise Classified					
0845	Boys' and Girls' Camps					
CSP Class Code	Coverage	Construction (Code)				
		Frame (1)	Joisted Masonry (2)	Non-Comb. (3)	Mas. Non-Comb. (4)	Mod. F.R. (5) Or Fire Res. (6)
0755	Building (1)	0.384	0.311	0.234	0.184	0.161
	Contents (2)	0.427	0.348	0.263	0.206	0.178
0756	Building (1)	0.175	0.143	0.107	0.085	0.074
	Contents (2)	0.195	0.159	0.120	0.094	0.082
0757	Building (1)	0.192	0.155	0.119	0.091	0.081
	Contents (2)	0.214	0.174	0.132	0.104	0.089
0831	Building (1)	0.136	0.110	0.085	0.065	0.057
	Contents (2)	0.151	0.124	0.094	0.074	0.063
0832	Building (1)	0.164	0.132	0.100	0.078	0.068
	Contents (2)	0.183	0.148	0.112	0.088	0.075
0833	Building (1)	0.170	0.139	0.105	0.082	0.072
	Contents (2)	0.192	0.154	0.117	0.091	0.081
0834	Building (1)	0.250	0.200	0.151	0.119	0.104
	Contents (2)	0.276	0.225	0.170	0.135	0.116
0841	Building (1)	0.221	0.178	0.136	0.105	0.091
	Contents (2)	0.247	0.200	0.151	0.119	0.102
0843	Building (1)	0.120	0.098	0.074	0.059	0.050
	Contents (2)	0.136	0.109	0.082	0.065	0.057
0844	Building (1)	0.168	0.136	0.102	0.081	0.069
	Contents (2)	0.187	0.150	0.116	0.090	0.078
0845	Building (1)	0.105	0.085	0.065	0.050	0.043
	Contents (2)	0.117	0.094	0.072	0.057	0.048
Territory					Territorial Multiplier	
Entire State (Arkansas)					1.000	

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85. BASIC GROUP I CLASS LOSS COSTS (cont'd)

All rates are subject to protection class and territorial multipliers.

0846 – 0931 – CSP CLASS CODES

CSP Class Codes And Description						
0846	Dance Halls, Ballrooms and Discotheques					
0851	Hospitals					
0852	Nursing and Convalescent Homes					
0900	Churches and Synagogues					
0911	Dry Cleaners and Dyeing Plants, other than Self-Service					
0912	Laundries, other than Self-Service					
0913	Self-Service Laundries and Dry Cleaners					
0921	Light Hazard Service Occupancies					
0922	Service Occupancies, other than Light Hazard					
0923	Funeral Homes					
0931	Auto Parking Garages, Car Washes					
CSP Class Code	Coverage	Construction (Code)				
		Frame (1)	Joisted Masonry (2)	Non-Comb. (3)	Mas. Non-Comb. (4)	Mod. F.R. (5) Or Fire Res. (6)
0846	Building (1)	0.250	0.200	0.151	0.119	0.104
	Contents (2)	0.276	0.225	0.170	0.135	0.116
0851	Building (1)	0.064	0.055	0.045	0.046	0.032
	Contents (2)	0.081	0.068	0.058	0.058	0.043
0852	Building (1)	0.078	0.067	0.055	0.055	0.043
	Contents (2)	0.098	0.085	0.071	0.071	0.054
0900	Building (1)	0.105	0.077	0.073	0.055	0.043
	Contents (2)	0.121	0.089	0.084	0.064	0.050
0911	Building (1)	0.489	0.388	0.331	0.241	0.217
	Contents (2)	0.525	0.417	0.355	0.260	0.233
0912	Building (1)	0.603	0.478	0.406	0.298	0.268
	Contents (2)	0.648	0.512	0.437	0.318	0.287
0913	Building (1)	0.445	0.353	0.299	0.220	0.197
	Contents (2)	0.478	0.378	0.322	0.236	0.210
0921	Building (1)	0.239	0.190	0.162	0.117	0.105
	Contents (2)	0.257	0.203	0.173	0.128	0.113
0922	Building (1)	0.282	0.224	0.190	0.139	0.126
	Contents (2)	0.304	0.241	0.205	0.149	0.134
0923	Building (1)	0.173	0.136	0.117	0.086	0.075
	Contents (2)	0.186	0.149	0.126	0.092	0.082
0931	Building (1)	0.121	0.095	0.073	0.059	0.047
	Contents (2)	0.140	0.109	0.083	0.067	0.052
Territory					Territorial Multiplier	
Entire State (Arkansas)					1.000	

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85. BASIC GROUP I CLASS LOSS COSTS (cont'd)

All rates are subject to protection class and territorial multipliers.

0932 - 1070 - CSP CLASS CODES

CSP Class Codes And Description						
0932	Gasoline Service Stations					
0933	Motor Vehicle and Aircraft Repair, with or without Sales					
0934	Tire Recapping and Vulcanizing, with or without Sales					
0940	Aircraft Hangars without Repair					
0951	Gambling Casinos with Limited Cooking Restaurants					
0952	Gambling Casinos without Restaurants					
1000	Penal Institutions					
1051	Museums, Libraries, Art Galleries (Non-Profit)					
1052	Schools, Academic					
1070	Fire Departments, Police, Sewage, Water Works and Other Public Buildings					
CSP Class Code	Coverage	Construction (Code)				
		Frame (1)	Joisted Masonry (2)	Non-Comb. (3)	Mas. Non-Comb. (4)	Mod. F.R. (5) Or Fire Res. (6)
0932	Building (1)	0.184	0.145	0.111	0.090	0.068
	Contents (2)	0.212	0.164	0.127	0.101	0.079
0933	Building (1)	0.146	0.114	0.088	0.070	0.055
	Contents (2)	0.166	0.130	0.099	0.080	0.063
0934	Building (1)	0.201	0.159	0.121	0.098	0.075
	Contents (2)	0.231	0.180	0.140	0.113	0.088
0940	Building (1)	0.099	0.078	0.060	0.049	0.039
	Contents (2)	0.115	0.090	0.068	0.055	0.044
0951	Building (1)	0.366	0.296	0.223	0.175	0.153
	Contents (2)	0.409	0.327	0.252	0.197	0.169
0952	Building (1)	0.168	0.136	0.102	0.081	0.069
	Contents (2)	0.187	0.150	0.116	0.090	0.078
1000	Building (1)	0.086	0.072	0.056	0.050	0.041
	Contents (2)	0.099	0.085	0.065	0.056	0.050
1051	Building (1)	0.064	0.055	0.042	0.037	0.031
	Contents (2)	0.073	0.064	0.050	0.044	0.037
1052	Building (1)	0.107	0.090	0.071	0.058	0.051
	Contents (2)	0.134	0.112	0.088	0.072	0.065
1070	Building (1)	0.108	0.092	0.071	0.063	0.053
	Contents (2)	0.126	0.108	0.084	0.072	0.061
Territory					Territorial Multiplier	
Entire State (Arkansas)					1.000	

85. BASIC GROUP I CLASS LOSS COSTS (cont'd)

All rates are subject to protection class and territorial multipliers.

1150 – 1650 – CSP CLASS CODES

CSP Class Codes And Description						
1150	Builders' Risk					
1180	Vacant Buildings – See CSP Class Code of previous or intended occupancy. Add loss cost of .011 unless Class Code of previous or intended occupancy is 0580, 0742-0747, 0833, 0834, 0841, 0843, 0844, 0846, 0900, 0951, 0952, 1051 or 1052.					
1211	Freight Terminals					
1212	General Storage Warehouses – Bailee					
1213	Miscellaneous Products Storage – (Other Than Retail Or Wholesale Or Cold Storage)					
1220	Household Goods Storage					
1230	Cold Storage Warehouses					
1400	Waste and Reclaimed Materials Including Yards					
1650	Building Supply Yards, Including Retail Lumberyards, Coal and Coke Yards					
CSP Class Code	Coverage	Construction (Code)				
		Frame (1)	Joisted Masonry (2)	Non-Comb. (3)	Mas. Non-Comb. (4)	Mod. F.R. (5) Or Fire Res. (6)
1150	Building (1)	0.229	0.186	0.143	0.105	0.101
1211	Building (1)	0.217	0.164	0.142	0.116	0.091
	Contents (2)	0.239	0.180	0.156	0.126	0.100
1212	Building (1)	0.177	0.133	0.116	0.094	0.073
	Contents (2)	0.193	0.145	0.126	0.102	0.081
1213	Building (1)	0.177	0.133	0.116	0.094	0.073
	Contents (2)	0.195	0.145	0.126	0.102	0.081
1220	Building (1)	0.201	0.151	0.131	0.106	0.083
	Contents (2)	0.217	0.164	0.142	0.116	0.091
1230	Building (1)	0.160	0.118	0.102	0.083	0.067
	Contents (2)	0.173	0.131	0.114	0.091	0.072
1400	Building (1)	0.479	0.360	0.312	0.254	0.201
	Contents (2)	0.467	0.393	0.592	0.277	0.217
	Yard	0.579		0.089		
1650	Building (1)	0.271	0.204	0.177	0.144	0.114
	Contents (2)	0.380	0.222	0.357	0.158	0.123
	Yard	0.210		0.028		
Territory					Territorial Multiplier	
Entire State (Arkansas)					1.000	

85. BASIC GROUP I CLASS LOSS COSTS (cont'd)

All rates are subject to protection class and territorial multipliers.

1700 – 4809 – CSP CLASS CODES

CSP Class Codes And Description						
1700	Mill Yards					
1751	Oil Distributing, Oil Terminals and LPG Tank Farms – Including Stock					
1752	Oil Distributing, Oil Terminals and LPG Tank Farms – Excluding Stock					
2200	Baking on Premises, Delivery to Outlets					
2350	Beverage Bottlers Excluding Alcoholic Beverages					
2459	Distilleries and Wineries					
2800	Textile Mill Products					
3409	Leather and Leather Products					
4809	Printing					
CSP Class Code	Coverage	Construction (Code)				
		Frame (1)	Joisted Masonry (2)	Non-Comb. (3)	Mas. Non-Comb. (4)	Mod. F.R. (5) Or Fire Res. (6)
1700	Building (1)	0.231	0.173	0.151	0.122	0.096
	Contents (2)	0.325	0.190	0.303	0.133	0.106
	Yard	0.178		0.024		
1751	Building (1)	0.184	0.137	0.118	0.097	0.075
	Contents (2)	0.201	0.151	0.131	0.106	0.083
1752	Building (1)	0.141	0.106	0.091	0.073	0.060
	Contents (2)	0.153	0.116	0.100	0.081	0.065
2200	Building (1)	0.651	0.543	0.446	0.378	0.299
	Contents (2)	0.679	0.565	0.470	0.396	0.317
2350	Building (1)	0.452	0.378	0.310	0.260	0.208
	Contents (2)	0.475	0.396	0.329	0.272	0.221
2459	Building (1)	0.272	0.225	0.187	0.157	0.124
	Contents (2)	0.283	0.237	0.199	0.163	0.130
2800	Building (1)	0.936	0.752	0.578	0.514	0.468
	Contents (2)	1.147	0.918	0.706	0.632	0.568
3409	Building (1)	0.661	0.522	0.454	0.345	0.312
	Contents (2)	0.675	0.532	0.466	0.353	0.319
4809	Building (1)	0.466	0.369	0.319	0.245	0.222
	Contents (2)	0.478	0.376	0.327	0.251	0.227
Territory					Territorial Multiplier	
Entire State (Arkansas)					1.000	

